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**CAPITAL'S DUTY TO THE  
WAGE-EARNER**



# **CAPITAL'S DUTY TO THE WAGE-EARNER**

**A MANUAL OF PRINCIPLES AND PRACTICE ON  
HANDLING THE HUMAN FACTORS IN INDUSTRY**

**BY  
JOHN CALDER**

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**LONGMANS, GREEN AND CO.  
55 FIFTH AVENUE, NEW YORK  
39 PATERNOSTER ROW, LONDON  
TORONTO, BOMBAY, CALCUTTA, AND MADRAS  
1923**

33102  
C-146e

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38081

SL. No. 058129

**MADE IN THE UNITED STATES**

TO  
HAROLD H. SWIFT



## PREFACE

This book is a study of the major industrial problems based upon a continuous experience in industry extending over nearly forty years. It is a manual of principles and practice for employers and executives and for teachers and students of management and the public on the handling of the human factors in industry, to which much intelligent attention must be given henceforth. It appeals to the able organizers of our present material prosperity, to the financial supporters of industry, and to the employers of the United States, their executives of every rank, and those fitting themselves for management and social service to glimpse a worthier capitalism and to substitute statesmanship for skilful opportunism, economic strategy and militancy. It advocates the adoption of a true philosophy of labor relations and of a practice according with fact and with science which will be creditable to the genius and opportunities of the American people.

Justifiable intervention by government in disputes arising in the few essential and vital industrial services affected with a great public interest will not "solve" the labor relations of the private industrial and business enterprises — employing 37,000,000 unorganized people — which afford a living to nine-tenths of those gainfully employed in the United States. The labor problem, in fact, cannot be "solved"; it is a constantly changing complex of fact and of feeling which must be systematically studied and handled in the interests of society or "all-of-us," not any one section.

"There was a door to which I found no key," sang Omar. May it not be that the door has no key because it has no



lock; that all we have to do is to "open the door" and "keep it open"? Do not men make mysteries of matters that might yield to experimentation? Science wages a relentless war on mystery; she'll none of it. It is to her a perpetual challenge. Either she knows or she does not know and goes after the needful facts and then organizes them. Shall labor "push open" or capital "pull open" the lockless door which is so often held closed between them or shall both act simultaneously and co-operatively to open it, and keep it open, and, "within the law," to restrain the unruly and unsocial on either side of it without descending to the level of prosecuting or persecuting opinion?

Future administrators of labor must know both "why" and "how" and possess the ability to execute wise policies — a faculty not too plentiful, and makers of public opinion must inform their pronouncements about industry with a fuller and truer apperception. Only thus shall we be delivered from legislation and social action by "interests"; from "blocs" and their inevitable blockades. The author believes that if capital and industrial management will conscientiously separate in their own minds and in their agents' and the workers' minds, fact from fancy in regard to labor problems, we shall attain the mutual understanding which is now lacking; secure as fair a measure of reconciliation of interests and wishes as is possible and desirable in a progressive democracy, and maintain at the same time an entirely open-mind as to what may follow in the social and industrial evolution.

The united professional engineering societies — headed by Mr. Herbert Hoover — whose members furnish a large part of the managing talent in industry — have spoken with no uncertain voice on the waste which poor policy and inadequate ideals and practice in business cause of men and things and ideas. It is capitalism's move. The result is not "in the lap of the gods" as some claim or in the power of any

section of government or "labor." It is mainly in the hands of those who decide what shall be done with the instruments of production. Many of the officers who carry out these decisions are already seeking "a way out" and need further education and support. With their foremen and most of the workers, they await from capital "the new word." This book is an attempt to outline what that "word" should be and to interpret it in the practical terms needed in industrial relations.

JOHN CALDER

*Lexington, Mass.*



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**CAPITAL'S DUTY  
TO  
THE WAGE-EARNER**

No previous generation has been so perplexed as ours, but none has ever been justified in holding higher hopes if it could but reconcile itself to making bold and judicious use of its growing resources, material and intellectual. *It is fear that holds us back.* And fear is begotten of ignorance and uncertainty. And these mutually reinforce one another, for we feebly try to condone our ignorance by our uncertainty and to excuse our uncertainty by our ignorance.

JAMES HARVEY ROBINSON

## CHAPTER I

### STATEMENT OF THE LABOR PROBLEM

**The Psychology of the Situation.** — The nature of the relations between capital and labor as a whole at any time is determined by the quality of the relations between the individual employers and their wage-earners. It is largely dependent upon their feelings about each other — is conditioned by a *state of mind* which arises out of the declared objectives of these two groups of human beings, and out of the moral and economic qualities of their intentions and conduct toward each other and toward society at large. This conclusion is the settled conviction of those who know the workers and who spend their days in responsible direction of industry.

Traditional prejudices, old abuses, recent personal or group grievances, unpleasant reactions with indifferent or reactionary owners, managements and supervisors, and perhaps, most of all, ignorance and untruth regarding the industrial system on which our modern civilization is based, influence the conduct of labor and determine its attitude toward the social system. Capital, too, is affected by many similar experiences with labor and particularly with labor leaders.

Any constructive study of the relations of capital and labor must therefore have regard to what is on the worker's mind and what is sometimes absent from the employer's mind, for these are the keys to much that is otherwise inexplicable and a guide to betterment. Lack of knowledge on



the part of both is constantly met and education is a major need in industrial relations.

Regard must be paid not only to the theoretical underpinning — often of a flimsy nature — of radical proposals from a very small minority of labor for abolishing capitalism, but there must be full consideration of the underlying reasons for labor being sometimes soured, grudging, and unresponsive even where it has no alternative systems to propose.

**The Information Needed.** — Any helpful study must be more than descriptive. It must be practical and suggestive. It must not only uncover error, correct misunderstanding, and expose the vulnerable joints in our social armor — there are some people doing the later without understanding and some with unhelpful intentions today — but it must reveal their true causes and, if possible, substitute constructive relations around common objectives.

It must analyze and measure — at least approximately — the feelings and conduct of labor and capital about all matters arising out of the employment relation. Unless this is done, unqualified statements on the subject, which are too common, lead to generalizations and assumptions about it which are not warranted and to programs which give little help in the premises.

Above all there is no single solvent, no panacea for sick industrial relations, no "pink pill for pale plants," no recourse but to keen hunting for facts and causes, rectification in the light of these, and patient continuance in well-doing. H. G. Wells, that genius in social program-making, in graphic generalization and picturesque prophecy, insists that we have already entered upon "a race between education and catastrophe."

Our own young intellectuals with the most meager experience and apperception of industry want their own brand of freedom and want it quickly. They also would have us

believe that the only alternative is disaster. The older thinkers, however, and those who carry the daily burden of production and have a decent respect for the achievements of the mind, are satisfied to go slowly. They desire to work for an increase in human wants and human satisfactions, and for a steady rise in the quality of both.

The sources of the information needed to arrive at a considered judgment on the facts and causes, and on possibilities of improved industrial relations are chiefly:—

1. The speech and writings of those professing to represent capital and labor.
2. The conduct of the groups themselves as manifested by their recorded performances.
3. Extensive experience in business life and in industrial plants with many members of both groups. This factor is often lacking in current economic literature by people with the investigating and analyzing faculty, but without a practical sense of industry which would enable them to give proper quantitative values to their concepts. The result is often an exhaustive and sometimes exhausting analysis in which no minor factor is omitted but in which one cannot "see the wood for the trees."
4. The use of the science of economics—the contemporary explanation of how men react upon one another, as at present motivated, in getting a living—to estimate how far any proposed plan of action is likely to improve the general welfare which should be the main objective of all social action.

**The Ends to be Attained.**—In a study of the relations of capital and labor, and particularly of the duties of the former, compressed within the present limits, it is only possible to indicate selectively the results of long and intimate contact with the sources of information indicated and of active partic-

ipation in industry in various capacities. The study, therefore, must be suggestive rather than exhaustive and constant regard must be paid to relativity. Many eloquent periods have been used to support purely sectional views on the relations of capital and labor, but the whole must be kept constantly in sight. The practical problem is: "How can our organization for the production of wealth be so improved that the general welfare in its broadest material and moral implications will be progressively advanced?" This question, so far as the state of mind of the worker and of capital toward each other is concerned, concentrates into a concrete and severely personal proposition, namely; — "How are individual men and women — both without and with capital — to be taught to labor with their hands and brains willingly and efficiently so as to secure out of the products of their toil and thought what they feel to be and what will be in fact, a fair return?" Savings of capital, enterprise, administrative ability and superior intelligence must be attracted and rewarded on a fair basis just as efficient labor must be.

This task not only calls for improved management of industry and fuller recognition of the employe as a co-worker but involves a considerable amount of successful persuasion. The important place which education holds in improving the relations of capital and labor is indicated in the brief statement of the problem just made and it will appear at every stage of this study. To be fruitful the educational effort must take account of the nature of the persuasion which is calculated to effect a fair measure of conviction. Partisan arguments, special pleading, and self-centered views are inevitable, but those who have better industrial relations at heart must seek, while extracting the truth from these, to rise above them and thus achieve right persuasion. It is believed that an educational service to industry of this character will prove more constructive and fruitful than any possible single change in technical, economic and personal

relations between capital and labor, helpful and desirable though many of these are. As the necessary convictions on the part of capital and labor must be based upon much evidence which cannot be included in the present space, it is considered worth while to draw the attention of capital and its managers to the conditions of attaining sound persuasion.

**The Factors of Right Persuasion.** — The habit in our day of considering fixed principles as liable to be modified by changed circumstances or by factors that had previously been neglected, is on the whole on the increase and is one which makes for right persuasion. The principle which does not comprise or take into account essential factors in the situation to which it is applied is necessarily an imperfect or a false principle; economic controversy is full of the latter. Such a course achieves an easy unity at the expense of truth, but it is possible, on the other hand, to neglect the real truth that may underlie a given principle and to lay undue stress on circumstances that, though appealing strongly to the modern attitude of relativity, may actually be comparatively unimportant or even irrelevant. This facile generalization, this narrowness of view and undue stressing of selections of the facts unfortunately characterizes the arguments of some sections of both capital and labor. But such arguments convince nobody, not even those using them. They are the "stock-in-trade" of the mere politicians on both sides of the question and make no permanent conquests.

Most established principles, though not all, embody elements of truth in so far as they may have resulted from a consideration of essential facts; and the neglect of those facts is no less an error than the failure to take into consideration other facts that may have been non-existent or ignored at the time when the principles were established or accepted. Much of the orthodox argument of capital and labor, respectively, is of this character, but to satisfy the claims of truth no less comprehensive a view than one which

comprises all the essential facts will serve. Hence, the way out for capital and labor can only be through mutual education and the participation and co-operation of their best minds in the search for the truth.

**The Value of Statistics.**—In close harmony with the modern tendency to base persuasion on a wider consideration of facts is the growing practice of employing quantitative methods of persuasion. Men can no longer be persuaded by a mere appeal to general principles. This is especially the case with wage-earners. They want facts from employers and labor leaders and also from the press—facts definitely and precisely stated from which they may draw their own conclusions. The quantitative method finds its most obvious expression in the use of statistics and the persuasive effect of numerical statistics arises from the circumstance that they enable us to form exact and vivid ideas of the facts of the case. In the past social reform has been greatly hampered by the lack of precise data and exact measurements of human needs and performances. At present too many of the figures pressed upon workmen and employers and relating to family budgets, cost of living, analysis of business expenses and surplus and other data bearing upon industrial problems are the estimates or guesses of special pleaders in labor's interest. Capital and labor need to join in procuring economic and social statistics which are beyond challenge as to their impartiality. A good beginning has been made in this respect by the public<sup>1</sup> interest, and if other efforts due to labor and capital are kept as free of hunters for "alibis" they may serve industry most effectively at a psychological moment.

**The Limitations of Statistics.**—The quantitative method, however, is subject to distinct limitations. It cannot, for instance, enable us to come to a decision in any question involving a comparison between emotions and sentiments

<sup>1</sup> The National Bureau of Economic Research, New York.

which are essentially different in kind. Through quantitative experiment, we may gauge accurately a man's power of memory or his quickness of observation; but when we have to measure the comparative value of unlike emotions or sentiments, figures are of very little service. All deliberate choice of action which is a subject of persuasion necessitates a decision, implicit or explicit, as to the relative value of the feelings that might be satisfied by one course of action or another. The balancing of alternatives in such a case is often in no sense quantitative but must be based on a consideration of the quality of the alternatives offered. In much of the decision and persuasion involved in "the labor question" we must ultimately have recourse to qualitative thinking, though by the quantitative method we may discover considerable means for the obtaining of our ends. The elements of right persuasion are typical of the inductive spirit, of the modern scientific temper which approaches questions unfettered by tradition or by the acceptance of principles lightly taken for granted.

**The Social Spirit Indispensable.** — Throughout this study two opposite principles of persuasion in regard to the relations of capital and labor are described in action. One is the principle of exclusion, of self-centered consideration by individuals and by groups. The other is the principle of respect for human nature, based on a recognition of the fact that no individual or group of individuals is self-sufficient and that each has need of the other. The convictions and conduct of individuals and groups will probably continue to be moved by both of these principles but the tendencies of our time and the great events that have transpired in it suggest that in the future a deeper value will be attached to the consideration of the common welfare. This applies particularly to group-persuasion — with which the relations of capital and labor are especially involved. The group organizations of industry in the past have been influenced

too much by the principle of exclusiveness. They need to be and will, it is believed, be animated more deeply by respect for human nature as such. We appear to be entering upon a period of transition in this respect. Trade unions in the past instead of being friendly societies linking men in fellowship have often been chiefly fighting units in conflict with both employers and consumers, sometimes with each other and frequently with unorganized wage-earners; and employers' associations have been mostly defensive and offensive alliances seeking no understanding with organized labor and little with those of their own households. The desirability of forming industrial bodies both in individual plants and in industries where representatives of capital and labor will meet as co-operators is now increasingly recognized. A proposal in this direction which has worked well is described in the course of this book. Such movements are not ephemeral. They arise from several things—the essential needs of man; a deep inner sense of the value of humanity, as such; the possibilities of raising the quality of its motives, and the necessary interdependence of each upon all. For the promotion of these we must look to an increase in the number of energized, enlightened, and sympathetic captains of industry and the managements through whom their ideals are expressed, as well as to the great number of smaller industrialists whose labor policies, still personally framed and administered, are a mirror of their ideals or the lack of them. It is in the spirit outlined that we proceed to describe and weigh first the chief elements which today make industrial relations unsatisfactory and second, those measures which on the whole are calculated to promote the reconciliation of capital and the wage-earner. In so doing no space is given to the few essential public services which are much before the nation at present. These occupy a degree of attention out of all proportion to the number of their employes and their actual contribution to the National Income, but they

rightly receive special regulation from the state and control in the general social interest.

Their privileged situation and corresponding obligations, however, have little bearing upon the problems of the tens of thousands of private industrial enterprises which provide a living for six-sevenths of the people engaged in American manufactures. The latter must endeavor to establish mutual understandings between employers and their employes at every point which will obviate the projection of government and of judiciaries into "the day's work."



Oh, wad some power the giftie gi'e us  
To see oursel's as others see us!  
It wad frae monie a blunder free us  
And foolish notion.

**ROBERT BURNS**

## CHAPTER II

### STATISTICS AND INTERPRETATION

Some quantitative ideas may be obtained from current statistics on the extent of the service which capital and labor respectively perform in our civilization. Analyses of these will give the reader in addition a qualitative view of the situation, a vision of things as they are and of possibilities which is too often lacking amongst the people who are closest to industry.

**The National Production.** — The census enumerators in 1920 reported the population of the United States as 105,710,620 and 82,739,315 of the people were stated to be over 10 years of age. Of the latter, 50.3 percent or 41,609,192 persons were reported as "gainfully employed." Therefore, allowing for children over ten years and all other persons undergoing education, for old people and the many persons in domestic work — estimated at 20,000,000 — who do not derive earnings therefrom, most of the available people in the United States desire to be gainfully employed and usually are so engaged wholly or partly. There is, contrary to some assumptions, no significant body of voluntary idlers in the commonwealth.

The many divisions of the national production team — all of them essential — and their contributions to the national effort as estimated recently by the National Bureau of Economic Research and the Bureau of the Census for periods closely approximating, are combined in Table I. A careful study of it, of the other compilations in this chapter, and of the sources, will serve to modify some of the conclusions — intuitively agreeable but incorrect — which capital and labor

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have arrived at about each other, which some social students have assumed, and upon which some programs and actions are avowedly based.

TABLE I

DISTRIBUTION OF THE GAINFULLY EMPLOYED AND THEIR NATIONAL PRODUCTION IN THE UNITED STATES

Divisions of National Production	No. of Wage Earners (1919)	Percent of Total Wage Earners	Production in Millions of Dollars (1918)	Percent of Total Production
I. Agriculture.....	10,951,075	26.3	\$12,682	21.01
II. Mineral Production....	1,090,854	2.6	2,013	3.33
III. Manufacturing:				
A. Plants.....	9,096,372	21.9	16,018	26.53
B. Construction } ....	3,716,329	8.9	1,280	2.12
C. Hand Trades }			1,704	2.82
IV. Transportation.....	3,066,305	7.4		
A. Railway Companies .....			3,684	6.10
B. Street Railways and Public Utilities ..			1,042	1.73
C. Transportation by water.....			506	.84
V. Government.....	771,120	1.9	5,352	8.87
VI. Miscellaneous:				
Trade.....	4,244,354	10.2	15,318	25.38
Domestic and Personal.	3,400,365	8.1		
Clerical.....	3,119,955	7.5		
Professional.....	2,152,463	5.2		
VII. Banking.....			767	1.27
Total.....	41,609,192	100.00	\$60,366	100.00

Agriculture it is seen employs a little over one-fourth (26.3 percent) of the gainfully employed and contributes 21.01 percent of the production. With the increase in mechanical aids in farming and the more rapid growth of other divisions, the percentage of agricultural workers is decreasing and has

shifted from 47.3 percent of the total to 26.3 percent in the last fifty years.

It will be noted that "labor," in the restricted sense of those wage-earners engaged in purely industrial work, does not play the major part in the total national production of goods and services which the especial attention it claims from the public would suggest.

Manufacturing in plants, outside construction of all kinds, and the numerous hand-trades pursued individually, or in very small groups, engage only 30.8 percent of the total of the gainfully employed in the United States and contribute about the same proportion of the production.

Construction and the hand-trades together account for only 8.9 percent of the total wage and salary earners and but 4.94 percent of the national output. Yet along with all forms of transportation which employ 7.4 percent and mining with only 2.6 percent of the gainfully employed, these three groups are storm centers of "labor trouble" and have an amount of economic friction out of all proportion to their actual but vital contribution to the National Income.

**The Major Contributors of Production and of Dissatisfaction.** — The three largest contributing groups to the National Income are respectively: Agriculture, Manufacturing in Plants and the group comprising Trade, Professions, Clerical and Personal Services. These together engage 87.1 percent of the gainfully employed and furnish 87.86 percent of the total goods and services, with economic friction chiefly occurring in the *Manufacturing* group. The four groups previously mentioned as exceptional trouble centers, viz., Construction, Hand Trades, Transportation, and Mining, together employ only 18.9 percent of the wage-earners and furnish but 16.94 percent of the National Income.

Statistics regarding the number and character of the establishments such as are furnished in the Census of Manufactures are naturally not forth-coming regarding the quickly

shifting tasks of Construction and for the Hand-trades with many master-workmen, but it is a matter of common knowledge that most of the 8.9 percent of the gainfully employed who are in these two occupations have little continuous service with any one employer. They come and go largely according to the varying demand for their services but partly also from desire and from lack of interest in any one job or employer—a condition which the latter has done little to remove.

A good deal of the labor news “that’s fit to print,” and some that is not, emanates from this relatively small group of free-lances and their constantly varying and not over-wise or enterprising employers, against whom often—and sometimes with whom—offensive and defensive alliances have been made by labor which were not animated by any regard for the public welfare.

As these groups of employes and employers are usually organized and “armed to the teeth” in an economic sense—and individuals amongst the employes and their leaders sometimes literally so—any working understanding must come from mutual recognition of each other and of their duty to society, or “all-of-us.” A hopeful beginning in this direction has been made in the electrical construction crafts.

Thus the relations between capital and labor which are claimed to be least satisfactory today *are chiefly found amongst the employers and the workers of that minority consisting of less than one-fifth of the gainfully employed which furnishes only about one-sixth of the total production*, and to a lesser degree amongst another fifth of the wage-earners who work in manufacturing plants. That is to say serious “labor trouble” is almost negligible amongst three-fifths of the gainfully employed who furnish 61.16 percent of the National Income.

Why this is so, what the merits of the case are, what the facts and what the fancies on both sides, and what can be

done about it with justice to those who — not without healthy discontent themselves — are already co-operating amicably in the national effort, are major problems of capital and labor.

**The Manufacturing Producers.** — To get further help in locating points of contact with these problems, the units in which manufacturing is carried on are presented in Tables II and III and analyzed. Out of a total of 290,105 manufacturing establishments 141,742 or 48.9 percent employed only from 1 to 5 wage-earners; 56,208 or 19.4 percent employed from 6 to 20; 25,379 or 8.7 percent from 21 to 50; 12,405 or 4.3 percent from 51 to 100; 10,067 or 3.5 percent from 101 to 250; 3,600 or 1.2 percent from 251 to 500; 1,749 or 0.6 percent from 501 to 1,000; and 1,021 or 0.4 percent employed over 1,000 wage-earners each in 1919. There were 37,934 small establishments which reported no wage-earners, the proprietors presumably doing all the work themselves. The census, however, is not supposed to include all small establishments but only those having an annual output of at least \$500.

Of the total number of wage-earners reported more than one-fourth (26.4 percent) were employed in the big establishments having over 1,000 wage-earners each, the total number employed in such establishments being 2,397,596, out of a total of 9,096,372 employed in all manufacturing establishments. The proportion of wage-earners employed in that size of establishment increased from 17.8 percent of the total in 1914 to 26.4 percent in 1919; 4,854,304 or more than half of the total number of wage-earners (53.5 percent) were in establishments employing more than 250 wage-earners each; 1,581,557 or 17.4 percent in establishments employing 101 to 250; 888,344 or 9.8 percent in establishments employing 51 to 100 each; and 1,872,167 or 19.4 percent in establishments employing not over 50 wage-earners. The number of wage-earners employed in the 141,742 small establishments having from 1 to 5 wage-earners each was only 311,576 or 3.4 percent of the total.

TABLE II

MANUFACTURING ESTABLISHMENTS CLASSIFIED ACCORDING TO THE  
NUMBER OF WAGE EARNERS

Class of Establishment	Number of Establishments		Percent of total		Increase 1914-19	
	1919	1914	1919	1914	No.	Percent
Total.....	290,105	275,791	100.0	100.0	14,314	5.2
Establishments employing no wage-earners	37,934	32,856	13.1	11.9	5,078	15.5
1- 5....	141,742	140,971	48.8	51.1	771	0.5
6- 20....	56,208	54,379	19.4	19.8	1,829	3.4
21- 50....	25,379	22,932	8.7	8.3	2,447	10.7
51- 100....	12,405	11,079	4.3	4.0	1,326	12.0
101- 250....	10,067	8,470	3.5	3.1	1,597	18.8
251- 500....	3,600	3,108	1.2	1.1	492	15.8
500-1000....	1,749	1,348	0.6	0.5	401	29.7
Over 1000...	1,021	648	0.4	0.2	373	57.6

TABLE III

Class of Establishment	Number of Wage-Earners		Percent of total		Increase 1914-19	
	1919	1914	1919	1914	No.	Percent
Total.....	9,096,372	7,036,337	100.0	100.0	2,060,035	29.3
Establishments employing wage-earners						
1- 5....	311,639	317,216	3.4	4.5	5,640	1.8
6- 20....	631,270	606,594	6.9	8.6	24,696	4.1
21- 50....	829,301	742,529	9.1	10.6	86,772	11.7
51- 100....	888,301	791,726	9.8	11.3	96,618	12.2
101- 250....	1,581,557	1,321,077	17.4	18.8	260,480	19.7
251- 500....	1,251,081	1,075,108	13.7	13.2	175,973	16.4
500-1000....	1,205,627	926,828	13.3	13.2	278,799	30.1
Over 1000...	2,397,596	1,255,259	26.4	17.8	1,142,337	91.0

The above preliminary tables from the manufacturing census covering the year 1919 reveal where the largest tasks in industrial relations lie for capital, management and labor, viz., where 53.5 percent of the manufacturing wage-earners are congregated in 6,370 establishments employing from 251 to over 1,000 persons each. These larger plants are only 2.2 percent of the total number of manufacturing places but they command the best facilities and usually possess high intelligence for their direction. Here, if anywhere, capital and labor can and should get together, and they will do so if the intelligence on both sides is permeated by adequate knowledge, good-will, and a genuine desire for the mutual solution of their problems.

The stabilizing of labor relations amongst the nearly five million workers in these 6,370 larger plants would set the pace in industrial good-will and in labor practice, not only for the 97.8 percent of the establishments which constitute the smaller plants and employ the other half of the manufacturing workers — under less enterprising management as a rule — but *for all gainful occupations* where labor is congregated and masses its likes and dislikes, its hopes and its fears. Constructive experiments cordially supported by labor and capital, if successful in big industry, will undoubtedly influence for good the system of capitalism as a whole and for that reason attention is concentrated chiefly in this study upon such places.

It will be noted that establishments in the United States with over 1,000 wage-earners increased in number 57.6 percent and in employes 91.0 percent in the five years since the 1914 census, and that more than one-fourth (26.4 percent) or 2,397,596 wage-earners now work in these 1,021 largest plants. This is indicative of a trend in the economics of the national industrial effort. A great opportunity for mutual education and broad-based co-operation between management and workers is presented, of which it will be shown that capital and many of the wage-earners have not been neglectful.



**Distribution of the National Income.**— This chapter is concluded with a brief reference to the distribution of the National Income, the sources of which have already been presented. Social theorists and critics from the side of labor have frequently taken cover when asked for a convincing "bill of particulars," instead of general allegations that huge sums which should be available for additions to wages are reserved from production and *consumed by the capitalist*. They have simply asserted that it was so, and no sufficient national statistics were available in rebuttal.

That such reservations are made is admitted by capitalism; that they are consumed by a few rich people is denied and this is easily demonstrated; that they might be reduced with promotion of the general welfare and without danger to production is alleged, and this should always be open to challenge, demonstration and correction in a democracy.

Statistics on this subject of an informing nature have recently been made available through the work of the National Bureau of Economic Research in collating the Income Tax and Manufacturing Census information for the first time and estimating within a margin of error that is probably less than 10 per cent the size of the National Income. The impartial economists and statisticians engaged on this work from different angles have arrived at close agreement and some of the results are given in Tables IV and V, and the quotations following them.

TABLE IV

## PER CAPITA DISTRIBUTION OF THE NATIONAL INCOME

	1910	1913	1919
Total National Income (Billions)	\$ 31.4	\$ 34.4	\$ 65.9
Per Capita Income (Dollars)	340.	354.	629.
Total National Income (1913 dollars, billions)	32.2	34.4	37.3
Per Capita Income (1913 dollars)	349.	354.	358.

**TABLE V**  
**COMPARISON OF PER CAPITA NATIONAL INCOME**  
**WITH OTHER COUNTRIES**

1914	National Income (Billions)	Income per Capita
United States	\$33.2	\$335.
United Kingdom	10.9	243.
Germany	10.5	146.
Australia	1.3	263.

"In the highly organized industries conducted on a large scale, the pay of employes, including the salaries of officials, absorbs in most years some 69.72 per cent of the net value product. The remaining 31.28 per cent is the share of 'management and capital.' From it are paid interest, rent, and profits. Even in these highly organized industries, part of the work of management is paid for under the form of profits, and in some cases, the subordinate officials and wage-earners also share in the profits.

"From 1909 to 1918, the extreme fluctuations in the share of management and profits varied from 33 per cent of the net value product in 1916 to 23 per cent in 1918.

"Of the total payments to employes in the highly organized industries, about 92 per cent goes to the manual workers and clerical staffs, while 8 per cent goes to officials."

"In 1918, the year for which the best data are available, about 86 per cent of persons gainfully employed had incomes of less than \$2,000 per annum, and about 14 per cent had incomes exceeding that sum.

"In the same year, about 60 per cent of the National Income was divided among the 86 per cent of the gainfully employed who had incomes less than \$2,000 per annum, and about 40 per cent of the National Income was divided

among the 14 per cent of the gainfully employed who had incomes exceeding \$2,000."

"If we consider the 5 per cent of those gainfully employed who had each year the largest incomes, we find that their share in the aggregate of personal incomes declined from about 33 per cent in 1913-16 to about 25 per cent in 1918-19."

"The best approximation this Bureau has been able to make indicates that in 1918, the most prosperous one per cent of the income receivers had nearly 14 per cent of the total income, the most prosperous 5 per cent of the income receivers had nearly 26 per cent of the total, and the most prosperous 20 per cent of the income receivers had about 47 per cent of the total income."

The above is the considered verdict of the independent experts who made the recent investigation already referred to, and the question is, *How much more than 70 percent* of the industrial product can the employes reasonably claim for their services, as against management and invested capital? Some accumulation there must be for the enlargement and betterment of industry, and some compensation for accumulation and for the responsibilities and risks of ownership is necessary in the common interest and to encourage thrift and secure the participation of the ablest. These reservations usually exhaust the 30 per cent of the product normally available for them and in very prosperous times labor takes more than 70 percent in advance of other contributors to the product. In depression, after labor has been rewarded—sometimes from borrowed funds, there is frequently no surplus whatever to pay most of the other factors of production.

Only through foresight by the directors of industry in adequate reservations from surplus during better times is it possible in many cases to "carry on" and to avoid or at least minimize unemployment.

If labor will heartily and intelligently co-operate in "Making Goods Plentiful," the best managements in industry today hope that they can "Make Men Dear" through adequate reservations from surplus providing against all contingencies including unemployment, and furnishing, as well, increased leisure and the means to enjoy it.

**Criticism of the Distribution.**—In connection with the topic of the National Income, the phrase "a more equitable division of wealth" is frequent in church, on platform and in legislatures, but without practical definition. It remains largely a sentiment, a pleasing moral idea. Its users often regard natural sources of wealth as the only original element of wealth. They take no account of the part *mind* plays in creating much of the world's riches. They practically ignore the intangible wealth which emerges out of human endeavor and owes its existence largely to the directing element which in many cases *is chiefly rewarded through profits*. It should be borne in mind that of all the instabilities of life, wealth is the least stable, and the class apparently securely in possession of it at any time is, of all elements in society, that which changes most rapidly and continuously. The Lancashire proverb: "There are three generations between shirt sleeves and shirt sleeves," is constantly exemplified, and the successors to wealth are often deprived of it through the operation of "risk" in business and of the pre-natal "chance" which hands out or withholds sufficient "brains" for its acquisition or retention.

Table I has revealed the minor but essential contribution which elements sometimes arrogating the term "labor" solely to themselves play in the total production of goods and services which constitutes the National Income.

Table VI, which is estimated from the Federal "Statistics of Income" for 1918, shows that about *93.6 percent* of the total wage and salary roll of the United States and about *54.5 per cent* of the total income of the country goes to wage

TABLE VI

ESTIMATE FOR 1918 OF THE INCOME FROM ALL SOURCES  
OF SALARY AND WAGE WORKERS

	Millions of Dollars	Per Cent of Total National Pay Roll	Per Cent of Total National Income
Total Compensation for Services of Employees having Incomes of			
Less than \$5,000.....	\$30,472	93.6	
\$5,000 to \$20,000 <sup>1</sup> .....	1,378	4.2	
Over \$20,000 <sup>2</sup> .....	726	2.2	
All Classes.....	\$32,575	100.0	
Total Income of Employees having Incomes of			
Less than \$5,000 <sup>1</sup> .....	\$32,910	.....	54.5
\$5,000 to \$20,000 <sup>2</sup> .....	1,585	.....	2.6
Over \$20,000 <sup>3</sup> .....	942	.....	1.6
All Classes.....	\$35,437	.....	58.7
Total Income of Non-Employees	\$24,929	.....	41.3
Total Income of the Entire Pop- ulation.....	\$60,366	.....	100.0

and salary workers having incomes below \$5,000 a year, and as we have already seen an average of over 70 percent of all additions to value through manufacture goes to labor.

Further illustration of the situation regarding what are the present limitations upon "all-there-is," is given by Mr. W. R. Ingalls in his "Wealth and Income of the American People" (1922). He says: "The twenty-six and one-half millions of families in the United States find themselves at the present time in the possession of wealth to an average amount of about \$10,300 per family (of four) compared with

<sup>1</sup> Estimated at 1.08 times the total earnings

<sup>2</sup> Estimated at 1.15 times the total earnings

<sup>3</sup> Estimated at 1.30 times the total earnings

<sup>4</sup> Statistics of Income, 1918, p. 44.

about \$10,550 in 1916. They have in prospect an average income of not to exceed \$1,400 per annum and have let themselves be led into the habit of spending nearly \$2,000 per annum (in 1920), whereas in 1913 they had an average income of about \$1,400 per annum and spent an average of only \$1,150. An individual family finding itself in such a position as the present one would make up its collective mind that it had to cut down expenses anyhow and increase its income if it could."

There is no use in saying through the pronouncements of labor leaders claiming to speak for much larger groups — such as railroad workers and other federated employes — that such things ought not to be and shall not be. The fact is that they *are*, that *there is no such divisible national income as they predicate*, and that there never was any which will permit of the idealistic scales of income which some of our sociologists insist *must* be furnished for certain sections of labor which have already had years of special privilege at the expense of the great majority of their fellow workmen in other branches of industry.

**Conclusions on the Distribution.** — As a matter of fact capital accumulation — reservations of income for production goods — has hardly ever been too great. We have many painful evidences recently that it has been too little. It is now fairly demonstrated that the economic entity "cost of living" has been to some extent the plaything of theorists and meliorists who have learned nothing and forgotten nothing; that real "living costs" — the actual habit of living of the people — did not rise as high as represented and that a margin existed for new luxuries which were indulged in at the expense of capital accumulation.

It is clear that the nation's deflated gross income could not sustain on the previous scale demands for houses, automobiles, moving pictures, wages and government expenses. Something *had* to give way, but the present era of rigid econ-

omy in production and social expense will eventually bring about a *higher scale of living than ever before*. We could not at one and the same time "eat our cake and also have it," and most of us sensibly decided to deny ourselves and to preserve some of it. A few, however, have insisted upon preferential treatment. It will be impossible to make the anticipated and certain advance quickly, and the industrial problem is "How are capital and labor going to co-operate meanwhile with good-will and intelligence in order to increase the National Income steadily, divide a portion of it equitably and make the necessary reservations of surplus?" That is what we have elected to answer in detail in the following chapters dealing chiefly with the practical handling of the human factors in the industries at large, the people in which neither receive nor expect special privileges.

**CHAPTER III**  
**WHY MEN WORK**



We live in deeds, not years, in thoughts, not breaths,  
In feelings, not in figures on a dial.  
We should count time by heart-throbs; he most lives,  
Who thinks most, feels the noblest, acts the best.

“FESTUS”

Absence of occupation is not rest:  
A mind quite vacant is a mind distressed.

COWLEY

## CHAPTER III

### WHY MEN WORK

In studying capital and labor in relation to their sometimes conflicting expectations, it is well to keep in view from the outset certain impulses common to all men and to ask and answer the question: "Why Do We Work?"

The views entertained by employes, corporations, or communities about industrial relations and the social usefulness of current practice therein are largely influenced by the correctness of their feelings and of their thoughts, conscious and sub-conscious, not only about each other, but also about work — its necessity, its desirability, its suitability, and its self-respecting character. In America we have seen that 41,000,000 out of our 105,000,000 of population are gainfully employed, that there is practically no idle class and relatively few voluntary idlers. Allowing for the old, the young children, adolescents, students, dependents, and the great unpaid army of housekeepers, estimated alone at twenty millions, the number reported in paid occupations by the last census are *about all that are available* for gainful employment. It is estimated that only about six per cent of the population chooses to live solely upon its savings. Practically, therefore, all of us work, and the psychology of the situation is developed in answers to the question, "What do we think about work?" Here are some false and true views which lie at the bottom of our conduct while at work whether we are employers or employes, and which affect our attitude toward effective co-operation.

**Is Labor a Necessary Evil?** — A number of people hold that work is only endured because of the greater evils which

would be suffered if it were not performed. That type of mind regards work as the curse of Adam, as a necessary working out of the traditional sentence, "In the sweat of thy face shalt thou eat bread." The same cast of thought insists that wages and profits are simply a bribe to labor and capital to do something *that they do not wish to do*. From this point of view, freedom from having to produce is the desirable objective, and shorter hours and higher wages are regarded as merely compromises on the way to fulfilment. In addition, labor laws, labor gains in disputes and welfare schemes are regarded simply as further evidences of temporizing concessions by guilty capital. Is this a just summary? Does it really explain the actions of capital and the behavior of labor? Does it truly set forth labor's inherent desires and capital's motivation? We answer, "No — decidedly not."

**Activity Is Natural and Is Desired.** — Bodies and minds actively engaged are not intrinsically objectionable to men. They are, as a matter of fact, intrinsically desired if the activity is in accordance with their natural aptitudes and is kept free from strain. Bodies and minds actively engaged on production for any social purpose may be equally desired — men have no use for the unserviceable. Gainful occupations are the cherished pastimes of many men and women, and the wise continue these productively long after arduous exertion followed by ample wealth has withdrawn all necessity for them.

**Acceptable Work Is Chosen, Not Prescribed.** — Some economists, social investigators, and possessors of naturally higher mental levels, seeking self-expression through intellectual process rather than through action, view with pity and sometimes with indignation the worker at his work; for instance, the sweating steel worker, stripped to the waist and covered with grime, or the oil-bespattered attendant at the noisy automatic machine, or the speedy artist with the knife in the packing house.

This solicitude is entirely gratuitous. It is neither welcomed nor understood by the worker. It is not even a justifiable conviction on the part of many of the people expressing it. These and other intellectuals themselves would not, of course, care to perform *any* of the arduous tasks of industry or the physically unpleasant ones. Even the simpler repetitive duties by which society is upheld would prove unsupportable. Such critics, of what we have already termed "the vulnerable joints in our social armor," are often unable to grasp the fact that most of the people in industry — the folks who have to do things — actually enjoy just such tasks when they are properly assigned and conditioned, and that patronizing attempts to furnish them with what are considered superior tasks often give the workers pain and provoke dissatisfaction. Why do we work? For various reasons — because we must, because we love to be active, because we desire things which only work will procure, and best of all, because a lot of people love their work. Wages and profits are really not the sole satisfaction derived from the work of the wage-earner and his employer. They are rarely even the ultimate satisfaction. They are usually only a means to an end.

**Men Work With All Their Preferences and Prejudices.** — Neither the laborer nor his boss "checks" his human nature at the plant door. He does not sidetrack his higher desires and become merely a pay-envelope or profit hunter. Each man is motivated in his work by the same four impulses as motivate his leisure, and the capitalist, the supervisor and the employee do not differ materially in their motives.

1. Each wants physical and mental activity on something at which he can succeed. He must get somewhere. So that the labor problem and social problem are essentially those of inducing all men to be active in their work and in their leisure in ways advantageous to society as well as to themselves.

2. Each wants the satisfaction of attaining mastery over some thing or task or some person. It may be a machine or a handicraft or directional power over individuals.
3. Each wants the satisfaction of being mastered in turn by brainy, likeable people whom it is a pleasure to obey and by whom it is a delight to be led.
4. Each wants as an ultimate social objective at work and in leisure the satisfaction of being somebody who *counts* someone who merits and obtains the approval of other persons or of his community, however humble.

In America the latter is a tremendous motive — a great aspiration shot through with hope. It permeates our 105,000,000 people more thoroughly, more generally and with more expectancy than in any other civilization.

**The Natural Man and "Property."**—The natural man, then, is clearly an acquisitive creature. Wants, desires, things and privileges are of the very essence of his make-up, and the aggregation of "natural men" anywhere constitutes the "acquisitive society" which is so distasteful to some of our idealists. Yet this natural man has no "natural rights" to property of any description, not even to land — the excepted item in Henry George's philosophy and the fetich of the modern "single-taxer" who has one all-embracing cure for social ills.

The fact is that "property rights" developed out of man's primitive needs. Yet there is nothing immutable about property rights. They are what they are because the race is what it is. They are expressions of the wishes of mankind shaped during many centuries. It is true that property has sometimes been acquired by rapine and robbery, and that ill-gotten as well as legitimate acquisition has been defended at the cost of blood. Yet property rights did not originate to protect robbers and they will not disappear to satisfy reformers. They are too deeply embedded in the social consciousness. Property rights are being modified slowly but

surely for the general welfare, not to produce a society which will gratify one or another single element of the community "labor" or otherwise. They are more necessary to the protection of the man of little property than to the rich. The fact is that the steadily expanding demands of our social extremists have come to a *halt* against fundamental elements in the very nature of man and that no leaders of capital or labor and no framers of new societies can hope to force their demands upon a resisting public. Mazzini's warning more than half a century old concerning the program of frenzied communists will bear repetition. "The abolition of property is demanded but you need no confutation of the error of those who in the name of liberty wish to found anarchy and abolish society. It is a wicked dream. You can find no remedy in any arbitrary general organization which contradicts the universally adopted basis of civil existence. You will not have things better *unless you are better yourselves.*"

Capital and labor today alike need this admonition and also the reminder that business exists primarily for *the service of the community*. Great and insistent human wants can be met only in three ways, namely: voluntary labor, co-operative effort, or more or less forced labor under state control.

The basis of property right in our day is increasingly recognized to be in social expediency, not in nature. Each such right should be discussed on its merits as an expedient and not as a burning outrage against mankind; for the passionate conviction of bad thinking solves no problems. Our acquisitive society then allows each individual to possess exclusive rights over certain material things and privileges only because, and as long as, it gets better service than it otherwise could. When this criterion is no longer met, society very properly makes other arrangements. But in so doing it does not, as a rule, go blindly into experiment, and should not do so. Its more intelligent members perceive that it is unremedied

defects, though not irremediable ones, in human nature itself rather than external conditions which are chiefly responsible for social ills. They also perceive that any substituted systems *for the same people* would suffer from the same causes. Europe in the past seven years alone has furnished examples which have sufficed to place a good many ill-considered programs for "new freedoms" permanently on the shelf, but that disillusioning experience has not inhibited, as some reactionaries hope, and it cannot inhibit, the instinctive desire of humanity for betterment. "I am a part of all that I have met"; the time-binding instinct of mankind is indestructible. Sections of capital, labor, and the public are deceiving themselves when they think and act as if mankind could be induced to barter away to selfish exploiters its instinctive, cumulative hopes in exchange for a quiet life and a mean security. Only when the "spirit of mortals" has ceased to be "proud" will that be possible, and experience has shown recently that even the ignorant may be trusted to recognize oppression under the most philanthropic disguises, and to deal with it accordingly. When we appreciate these elemental things we are on the way to understand "Why Men Work," and also why on occasion they won't.

**An Acceptable Society.**—Because of the known great variations in *natural* mental levels and working intelligences and the teaching of science as to their inevitability, it follows that there are equally great variations in the relative strength of the motivations of people and also between these motivations themselves in any one person. The result is that the human society any one individual would like to see is not necessarily a particularly happy thought to his neighbor, but this divergence should cause no anxiety. We have quite a number of proposed roads to freedom, social, industrial, and political; nevertheless, there are qualities without which they have no possibility of acceptance by society.

The social system which will satisfy all the natural desires

we have outlined must be one of such qualities that, first of all, people can thoroughly believe in it, rather than apathetically tolerate it. It must lead to faith and to some sense of faith and duty on the part of the individual and society. We are old-fashioned enough to believe that existence without duty is not tolerable. In the second place, such a society must be progressive; it must lead to something better and this involves freedom for creative thinking and doing by its scientists, artists, philosophers, and industrialists including the wage-earner, and also organization to use more fully the experience of the race.

There is always a tendency for those in high authority at any time in church or state, in education or business, in capital or labor, to imagine themselves capable of judging unerringly the good or bad in every new idea. This tendency is dangerous and has been in evidence in conservative as well as progressive thought recently. It has always proved particularly dangerous in the earlier phases of radical collectivism — communism, for instance — where the administrators inevitably have more power than they ever had before and usually much more power than they can safely wield. The fact is that the material side of human affairs must necessarily be regulated by a popularly selected, self-evidencing, natural aristocracy of ability and benevolence; an aristocracy that functions everywhere so as to secure and retain "the consent of the governed" who thereafter simply *take it for granted* and employ their minds in working hours and in leisure upon those things which are the glory of the human race.

**"Bread-Work" versus "Brain-Work."** — Some of our present day social philosophers and most of our labor politicians would like to have a clear line of distinction drawn between those who are engaged in what Tolstoi loved to call "bread-work" and those occupied principally or wholly with "brain-work." Such people award the palm and the precedence in



social consideration to the former and in practice they treat it as the only worthy claimant to the title "labor."

This unsound distinction where there is really no moral difference, was the theoretical basis of the Russian experiment and it eventuated in "brain-work" of inferior quality — of a fantastic and unreliable character — ruling the roost tyrannically, unhelpfully, and often destructively, over "labor" everywhere to the physical misery and base subjection of the latter, the practical extinction of high thinking and the undermining of social morale.

Close application to "bread-work" as the *sine qua non* has not secured the elevation of human society. "Man doth not live by bread alone." The wage-earner is not so easily regimented and satisfied as some who claim to be his sole friends, and who obtain ascendancy in labor circles, imagine. "Variety is the spice of life."

The plough has no particular virtue in our complex civilization over the railroad, the store or the pen, or the voice of the executive as the instrument of a satisfying vocation or a helpful social performance. The fact is that no vocation guarantees that man's tri-partite being will be adequately developed by it alone, yet all of the four elemental desires which we have set forth as inhering in every man can be met in any well-rounded existence centered upon an acceptable vocation, provided three conditions are fulfilled, namely; that there is no prolonged strain; that there is little uninterrupted monotony; and that there is sufficient contact of mind with matter or of matter with mind to keep a man sympathetic with his fellows and fully alive to the social usefulness of the services which he and they render by their work.

To secure the mutual sensing of the social situation; the clear appreciation of "why men work"; the sincere conviction that there is nothing "common or unclean"; the willing response to the invitation to "draw near and eat" of the uni-

versal and durable satisfactions; these are the educational problems before industry and business and society. To these, intelligent, enlightened and forward-looking capitalism should willingly set its hand in our day. If it elects to do so, the able and indispensable planners of our present material prosperity will have the ready co-operation of all those who seek truth and pursue it, but they must reckon with the unvarying opposition of those who live and work on the principle of exclusiveness rather than of respect for human nature as a whole. Such are to be found retarding understanding and co-operation both in the ranks of capital and of labor, and to eliminate them or convert them should be the first order of business in a society principally dependent upon a progressing industrialism.

It is premature to advocate any wide-sweeping reconstruction of the social order, although experiments and suggestions should not be discouraged.

What we need first is a change of heart and a chastened mood which will permit an ever increasing number of people to see things as they are, in the light of what they have been and what they might be.

JAMES HARVEY ROBINSON

## CHAPTER IV

### LABOR'S OBJECTIONS TO CAPITALISM

Capital in addressing itself to reconciling its interests, wherever possible, with those of labor and society has at every stage to face an educational task. Too much emphasis cannot be laid upon the injunction: "Educate!" "Educate!" Capital has to appreciate fully the truth in labor's viewpoint, to expose the economic and social fallacies in it, and to persuade and encourage labor to co-operate. A change of mind on the part of labor must be effected before any modifications of the existing system, whether statutory or voluntary, will secure better relations. It is useless to attempt this solely through economic teaching of the professional type. The education must be such as to reach all of the complainers. Where adequate reply to labor is forthcoming it is found that just "telling people" in speech and print simply and sincerely with a variety of phrase and repetition is a large factor in promoting good industrial relations in our day.

In so doing a discriminating analysis of labor's objections to capitalism must be made and kept in view. What are these objections?

The "capitalistic system" is the basis of society in all modern civilizations, but it nowhere goes unchallenged, and whether criticism of it is just or unjust, it must be frankly faced if the mind of labor is to march with that of enlightened capitalism and management, and if relations between them are to be self-respecting and co-operative. The features of modern capitalism which are considered by some of its labor critics and some intellectuals to be its chief blemishes are

four in number: 1, private ownership of the instruments of production; 2, the status of the worker under the system; 3, exploitation of labor inherent in it; 4, the wage system of reward. Unless some measure of agreement about these features is arrived at between labor and capital, management and the public, there can be no stable basis of industrial relations. It is the duty of capital and its executives to understand labor's claims, to make up its mind upon them, to be able to refute the erroneous ones and to be willing to concede those that are just.

**Private Ownership.** — Tools and equipment in the possession of individuals date from the earliest organization of human economic activity, and the practice has been generally adopted by progressive communities. Capitalism, however, in its aspects opposed today, began in the end of the 18th Century when congregated labor, using inventions of machinery and steam power, caused the reorganization known as the "Industrial Revolution." Some labor critics of the system argue that it is wrong that anyone should possess, by ownership of private wealth, the responsibility for the future development of the country or community. They claim that injustice arises because private ownership makes it difficult and sometimes impossible for those who want to work to secure access to the means of production, and that a more equitable basis would be arrived at if all the means of production were owned by the State, or other public body under some form of socialism; or as is now claimed by the syndicalists, owned by the industries which employ them, organized into an "all-embracing" trade union. The guild socialists on the other hand — a purely British body of opinion — desire the State to own all productive instruments and to have them leased to and operated by groups of related crafts formed into guilds or brotherhoods which, however, take no responsibility for the function of effective distribution and the consumer's interests. Is there a con-

structive answer to this which will promote good industrial relations?

There is no question that the existence of private property in the means of production does involve hardship and difficulties for those members of the community who do not happen to be born into the possession of property, or to inherit the kind of qualities of mind and disposition which enable them to acquire it rapidly or, having done so, to retain it. To such people, particularly to the ordinary unskilled workers, it seems unjust that, if the kind and quantity of work that they offer to any private employer is not needed, some of them find great difficulty in supporting themselves and their families.

The question that has to be considered in this connection is not chiefly personal. It is a social one, viz. — "What most promotes the general welfare?" Are the hardships involved to a comparatively small number of the less fortunate members of the community balanced by the advantages to the community as a whole involved by the efficient working of the capitalistic system? Under that system anybody who by ingenuity and energy can *earn more than his fellows* is enabled and encouraged to do so and to devote his accumulations to the furtherance of industry, by lending them for its extension, or by investing them in enterprises from which he hopes for profit.

The system of private property in capital offers, therefore, a continued stimulus for activity and exertion which latter, nevertheless, can only be successful if it produces something with which the community, or a sufficient number of its members in a position to buy goods and services, are satisfied. Due to the system, the wants of the community are continually considered and cared for by its most enterprising members, who are urged to do so by the hope of gaining profit. It has to be admitted that the wants of a community are not always sensible, but education of the people is the best way

to insure that they will use their purchasing power wisely and so control the nature of the goods and services furnished for them through industry.

If the decision as to what is to be produced and the means to produce are in the hands of a bureaucratic committee, as they must be under socialized control, the general members of the community would have no power of choice whatever. This lack of complete freedom of choice is one of the chief complaints against the present system. Yet with socialized control, people would have to take the goods and services provided by the decision of an outside authority whether they liked them or not, and would have to bow to flat prohibition of satisfactions whenever decreed. Upon the score of individual satisfaction, of each person being an end in himself and not a means to the ends of others—which is the basis of true democracy—private ownership in capital is wholly defensible. It is of the essence of good relations in a plant that employes professing to be disgruntled on this head should be answered.

**The Status of the Worker.**—But some who have grave doubts as to the wisdom of socializing capital contend that the divorcing of the manual worker from the ownership of his tools, which naturally occurred with the Industrial Revolution, altered the status of the worker to a harmful extent; that the scale of industrial organization became so large that only men of great means, or a collection of people of considerable means, could provide the facilities and tools of industry and finance it through production and distribution of the product.

This was true while the capitalist was owner, manager, and organizer of his enterprise and took all of the risk, but the scale of industry rapidly increased and the capitalist became only one of many capitalists in a single large business, and chiefly a lender or investor of money, the actual management being carried on by a small committee of the joint owners,

the directors, who in turn usually delegated to a highly skilled management and staff the actual duties of supervision. This management and staff, however, are simply a *superior class of workers* with no more stake in many cases in the capital of the concern than any manual laborer on the payroll, but with an increasing sense in our day of social and professional obligation. The world's needs cannot be met by going back to individual ownership of its tools and no single industry even is sufficient unto itself in this respect. In the 20th Century we are all in the same boat and must come to some agreement as to our duties and privileges on board. It is demonstrable that the status of the worker in what are termed "the good old times" did not carry with it a tithe of the benefits which imagination and retrospect suggest to the dissatisfied today and this evidence should be forthcoming for the wage-earner.

**The Exploitation of Labor.** — The most vehement accusations against capitalism come from a relatively small group who claim that as an institution, it involves robbery of the wage-earners who are permitted to use the means of production, but are deprived of their proper share of the product. As a matter of fact, this prejudice originally had some foundation. In the first half century (1775 to 1825) in which modern capitalism was active, exploitation of the wage-earners through low wages, long hours, disgraceful working conditions, and ruthless dismissal, was carried to an extent which now seems criminal. It was this exploitation, studied on the spot in England, by Karl Marx, which led to his revolutionary doctrines and to his prophecies of rapid disintegration of society through the increasing concentration and oppressions of capital. His admirers now admit that most of his theories were wrong, that many of his assertions were incorrect, and that nearly all of his dire forecasts have proved to be baseless. Nevertheless, he had a solid basis of fact, discreditable to the capitalism of his time, to build upon, and



it is the summary of these facts, long gone into the discard, that furnishes the tradition on which unenlightened labor founds its protest and malignant radicalism its indictments. Not only so, but the orthodox economic theories current in Marx's time on the possibilities of improving the condition of the worker, were of the most dismal and hopeless nature, a sheer counsel of despair. Though as incorrect as his revolutionary theories, they misled both the capital and labor of that time. They seemed to justify the former in inhumanity and the latter in fierce reaction against fate. They have cost the industrial world dear by the legacy of bitterness and suspicion which they have left behind.

Apart from the amount of feeling justly engendered by the callousness of early capitalism, there is no real ground either in fact or theory for Marx's contention that the whole product of industry is solely due to the exertion of labor and that any interest or profit taken by the capitalist is necessarily a form of robbery. Labor, by itself, can effect nothing industrially or commercially; labor plus management is equally helpless and capital by itself is, of course, in exactly the same position. These truisms are usually acknowledged today, even by extremists in labor circles who claim the whole of the product. But in considering better relations between capital and labor, those who have had much practical contact with labor are well aware that many workers who can make no claim to understand Marxian economics, need reiterated instruction on the practical issues and are still influenced in their daily reactions by an inherited suspicion of capitalism and by the conduct of some capitalists. The extremists claim that the existence anywhere of a class who do no visible labor is conclusive proof that labor has not received all that it creates or produces with the aid of machinery. Their argument is that because machinery and equipment can produce nothing by themselves, therefore, those who work them are entitled to everything produced by their own efforts,

plus the machinery. As we have seen, forty-one millions of the 105 million inhabitants of the United States are gainfully employed and as these are about all available, practically everybody works, and there is no favored class before the law or in industry. There is virtually no idle class in America and the existence of the greatly increased facilities provided by past self-denials of capitalists, only apparently unoccupied, is enabling the manual worker today to produce a much greater volume per man-hour with less fatigue on his part and shorter working hours than if such saving and investment had not been made.

It is true that those who claim all of the product for labor can say that the factories, transport facilities, tools and equipment which they manipulate have all been erected or produced by labor, but this manual labor and the skill which organized it were paid to produce these instruments by owners of wealth or stored labor, who were prepared to risk it on these objects. All of these helps only came into being because other people from quite small beginnings of thrift, used their wealth to secure production instead of their own immediate enjoyment. Had some of our ancestors not acquired this useful habit and so equipped industry and commerce in their time, probably not half of the modern complainers would now be alive. Interest and profit were the incentive and reward of these savers and the results of their enterprise we all share. Of course, in a democracy it is open to question the proportionate amount of the shares of capital and labor in the product and that is being increasingly done and frankly met, but nevertheless, the ignorant distrust still arising out of the attractive Marxian fallacies has to be reckoned with amongst the rank and file of labor. Only educational measures and liberal labor policies will dispel it and they have to be carried to the adults in factory and field as well as formulated.

**The Wage System.** — The fourth general charge made by

labor against modern capitalism is that the wage system as practised is a species of economic slavery. Perhaps of all the charges, this is the one which most occupies the minds of the rank and file of labor, of whom only a very small minority seriously advances the other three objections. Even if all other matters were adjusted, no stable relations will be attained by capital and labor unless they arrive at an agreement as to the grounds for and justice and inevitability of the wage changes which take place from time to time. In chapter XVI this subject is discussed in considerable detail.

Provision must be made at each plant and at each time of change for a collective adjustment *on the basis of what industry can afford to pay*. It is not our experience that the great body of wage-earners really aim to "divide more than all-there-is." They desire to *know what the fair share of labor is* and to obtain it.

The wage system of capitalism does not irritate the laborer — though it does some social theorists. It is the arbitrary manner in which changes have hitherto been carried out by most employers that hurts. Labor has often felt — sometimes wrongly — that little or no consideration had been given to the effect of wage modifications on the worker and his family and, where the employer attempted no convincing demonstration, the worker has often doubted whether the economic situation justified any change.

Such a demonstration is nearly always practicable and in its absence labor has to fall back upon explanations from enemies of capitalism. This may be taken as axiomatic: Whatever puzzles the laborer in the economic changes which take place without the volition of any of us is primarily suspect and will continue to be until we take the trouble to get the truth home to him in terms which he can understand and under conditions where he can talk back, ask questions and air his own views. Labor often exhibits — particularly in periods of wage change — a foolish distrust of economics, a

disbelief in the sure consequences which follow certain acts or abstentions in regard to human wants under a system in which men are motivated as at present. Literature will only go a little way in accomplishing enlightenment, for the Federal Commissioner of Education certified several years ago that out of approximately fifteen million workers in industry and fifteen million on the farms and in rural communities, more than half were unable to read an ordinary newspaper or write a simple letter. This condition has probably improved due to the eight years of restricted immigration since the census revealed these facts, but the revelations of the military draft did much to confirm them. Is it any wonder then that with printed matter so often closed to the laborer he is dependent upon the men in his gang who can read and who do have ideas and some facts, even though they may not be fountains of wisdom? It is natural he should look to such men for leadership and information and that his feelings should be engaged by their views at any time on economic questions arising out of employment.

There is no remedy for this except to organize, to tell the workers by print and speech, in season and out of season, all the relevant facts about the business in which he is employed and about the wage situation and to allow him either individually or representatively to express himself freely on the subject. In so doing it has been found an excellent thing to put his Company's balance sheet in his hands with simple and accurate explanations of all of the terms and items. If this is done, the worker will be found to be a very reasonable being and capable of a surprising amount of intelligent interest in the matter of wage adjustment and indeed about all of his conditions. If it is not done, because it cannot be done with credit to the employer, the sooner the latter makes it possible the better for himself and for society.

**Conclusions.** — In dealing with labor's objections to capitalism, then, we must be ready to admit that the early days

of modern capitalism were marked by serious injustice inflicted upon the manual workers, and that even today, many employers are too ready to resist without inquiry or conference or explanation, demands on the part of labor for improvements in its conditions of work and its relations with capital. This is a foolish and unintelligent position to take up. Yet these faults in individuals involved in the working of capitalism do not necessarily establish any inherent injustice *in the system itself* or any defects in its operation which cannot be removed. Some of the objections discussed in this chapter are, in fact, things of the past, though they live on in the imaginations of men whose feelings are aroused by quite different and often purely personal grievances.

Some of the labor critics of capitalism and the free-lances of fortune are plainly actuated by envy and unsocial desires in their charges and proposals. Professor T. N. Carver of Harvard University — one of our keenest sociologists and most liberal-minded economists — has said these wise words on the futility and essential wickedness of social reform based upon hate: —

“One of the most wasteful and destructive of all vices is that of covetousness or jealousy of success. Wherever the tendency is strong to regard with hostility the man who has achieved conspicuous success either in business, politics, scholarship, or art, you have one of the most effective means of repressing useful endeavor. Such a community can never prosper. In proportion as a community has acquired the radically different spirit which makes it condemn wasteful and ostentatious luxury and approve the simple but strenuous life of productive business, the investment of surplus income in tools of production rather than in articles of self-gratification, in that proportion will the community prosper and the poor be benefited.”<sup>1</sup>

The cure for the current faults of capitalism is not in

<sup>1</sup> “Essays in Social Justice.” 1915. }

Marxian or other forms of socialism, all of which put too much faith in institutions, externals, and material things. They also postulate many economic and historical fallacies. The remedy is in a socialization whose ideal is "No income without service" and involves the raising of the quality of the service of wage-earner and executive alike. Contrasts will always be possible between rich and poor, for there will always be richness and poverty of inner and creative personality both hereditary and as developed by education. But reward should be ungrudgingly bestowed for all service rendered to society, and, if it is, the natural and irrepressible instinct for private possession will be satisfied and the initiative and enterprise which arise out of it will not be repressed, but encouraged and sustained for the social benefit. It is not the house we tear down but the one we build that shelters us from the storm.

Nearly all men and women, whatever their social and economic status, may have much greater possibilities of activity and thought and emotion than they exhibit in the particular conditions in which they happen to be placed; in all ranks may be found evidence of unrealized capacity; that we are living on a far lower scale of intelligent conduct and rational enjoyment than is necessary.

JAMES HARVEY ROBINSON

## CHAPTER V

### LABOR UNIONISM AND THE WORKER'S WANTS

**Unionism a Legitimate Development.** — As indicated in the summary of labor's objections to capitalism in Chapter IV, there was ample justification and actual necessity for labor organization to protect its interests from the very beginning of the industrial revolution and the factory system which came with it. That need has continued to the present day, and because of the elemental character of the long struggle upward, unionism is still essentially militant.

Organization is a manifestation of labor's fear that *it will not get justice* under the system of capitalism *unless it organizes to that end*. Unionism has much to adduce by way of proof and a long record of achievement which, though it has no place in this book, deserves close study by capital and its executives. Before modifying its traditional beliefs and practices labor does well to demand very clear proof of better intentions and more liberal practice on the part of capital. Though it still rants officially about "wage-slavery" it is getting these proofs more rapidly and democratically than some of its leaders desire. In fact, "capital on the mend" seems almost as unwelcome to official unionism as "capital at bay."

**The Aims of Union Leadership.** — It is not our intention to dwell upon the features of the conduct of organizations of labor which raise doubts as to the desire of some of its leaders to co-operate with capital. Only a brief reference may be made to the record which reveals the undisciplined character of some labor leadership. The late Professor Hoxie, in the



truest sense a "friend of labor," had much to say in 1912 about the dangers of "predatory unionism."

So much indeed did it impress him that he devoted a large part of his time during the four years which followed, to an unbiased and scientific study of the subject. In his book published in 1917 he says, regarding this type of unionism — which has been much in evidence recently — "Prevalingly it is exclusive and monopolistic. Generally it is boss-ridden and corrupt, the membership for the most part being content to follow blindly the instructions of the leaders so long as they deliver the goods." Again he quotes a trade union leader defending the brutal autocracy of some of his class: "The successful officer tends to stay in office indefinitely and grows more competent and more powerful with service. As a democracy no union would last six minutes."

In another place Professor Hoxie sums up the typical features of the federated unionism of 1917 in these words: "Unionism does violate many of the canons of right, rights and justice of the business world and the middle class. It opposes freedom of the individual and free contract, upon which our whole legal structure rests. It has little regard for the sacredness of contract or of ordinary property rights. It has little respect for our special code of morality; it sneers at and defies our courts."

At the present time, five years later, some of these reflections of a sincere friend and most painstaking investigator apply exactly to the conduct, mind, and temper of leaders of the American Federation of Labor from which we have yet to hear a repudiation of the Herrin Massacre and all that it implied. It is only a matter of time also until taking the public by the throat through a general or widespread strike in either the fuel or transportation industry will be made illegal.

Public opinion, the great ultimate arbiter in a democracy, is likely to decide, despite the wordy protests and inflamma-

tory diatribes of some of labor's official spokesmen, that the "freedom" of the laborer in the future in certain national needs and services will be conditional.

It will consist in his right as an individual to take or refuse or resign a position in such work. This is not "wage-slavery." It is merely an obligation attaching to what is essentially public employment.

It will carry with it legal liability for failure to fulfil the duty, as well as the privilege — not granted to the great mass of industry — of having wages and conditions of work determined by public authority under considerations of public welfare. It will reaffirm, we believe, in unmistakable terms, the penal liabilities of "attempted exercise by individuals of powers belonging only to government,"<sup>1</sup> which were set forth by the Supreme Court of the United States twenty years ago in Justice Brewer's judgment in the Debs case of inciting riot.

**A Basis for Justice.**—Are the claims just outlined typical of all labor or at least of all unionized labor? The answer is NO! The great bulk of the wage-earners desire no such preferential treatment and we are not entitled to regard unionism in the mass as being as unsocial as some of its professional spokesmen who are necessarily opportunists and politicians — not Elder Brethren. What we are immediately concerned with here is as to whether the attitude and policy of unionism at large today is *toward co-operation with the plans in sight for better labor relations.*

It is no defect in these plans if they take their rise in the plant itself and interest the worker in many ways not attempted by unionism either in the past or present, and often not possible because of the employer's attitude. Any such plans must provide a basis for just dealings, obtain the verdict of public opinion, make union opposition unjustified, and give the wage-earner his reasonable desires. The "old school"

<sup>1</sup> 158 U. S. 564, 39 Law Ed. 1902.

of capitalists practised unrestrained powers for many years untrammelled by the imposition and application of regulatory laws. In the heyday of initiative and enterprise neither industrial law nor industrial labor thwarted their will.

They were accustomed to exercising unquestioned authority. Their word was law. Their employes did their bidding without effective protest and we must admit society as a whole profited greatly from the administrative genius of these pioneers, even if labor was denied for a time *the right to make its own mistakes*.

Today we live in a different age. Capital and capitalists became so arrogant that the public rose in rebellion and laws designed to curb their power and their tyranny were placed on the statute books. That such laws were needed only a few reactionaries would question today. The newer generation realizes that the times have changed, that capital can no longer dictate, that democracy and not the dollar is in the saddle, that industry must consider human lives as well as profits. The fact is that labor and capital alike *reserve the right to make their own mistakes* and this condition in our day is restrained only by consideration of the public interest.

**Public Opinion.** — The art of combination, originated by capital, was duly taken up by labor. Giant strides were made. In nine cases out of ten public opinion used to be on the side of workers in their disputes with corporations. During the war, however, labor aided by an indulgent and careless administration, gained victories faster than the most ardent union leaders had ever prophesied. In many ways, in fact, official labor attained dictatorial power. In some cases this dictatorial power was exercised in so arrogant a way that the public became incensed. The capital versus labor struggle *as a union issue* is now being waged as bitterly as at any time in our history. The public is acting as umpire. The final verdict has not as yet been delivered. On the other hand capital and labor are co-operating directly in many encouraging ways.

Bluntly, both employers and unions are now on trial before the bar of public opinion. The contentions of reactionary employers, although they are not the contentions of many belonging to the newer and progressive school of industrial and financial leaders, are being widely circulated, and the more radical, not to say revolutionary, labor leaders are constantly laying before the public the contentions, real and alleged, of labor.

We find many employers today who are ready to treat with their employes as members of national labor unions or as members of company councils and like organizations or both, as the workers may choose. We also find that they are anxious to adopt and follow a conciliatory course. We find, too, a growing disposition among rank and file workers to embrace plans calculated to draw them closer to their employers by means of shop committees, councils, and the like.

Moreover, investigations lead us to believe that a great number of union men feel that many of their professional leaders are going too far and too fast in opposing, root and branch, every movement calculated to bring any one employer and his employes closer together.

As we see it, union leaders and enlightened employers are now waging a contest to gain the allegiance and loyalty of American workmen. The majority of the workmen in the end will follow those who lead them most wisely, those whose leadership will bring about the best working conditions, the best opportunities for advancement and the best wages consistent with the best conditions for the country as a whole.

The decisions of the workmen will be influenced if not governed by the verdict of public opinion as to whether labor leaders or employers are following the sounder course, the course calculated to lead to prosperity for all; the course, in a word, which will "make goods plentiful and men dear" in the best sense of the term.

**What the Workman Wants.** — Meantime, while we know

specifically what some people do not wish the workman to have and what other people insist that he should desire, let us closely scrutinize what the workman really wants. What is it? — Just five things; the practical outcome in the plant of the natural desires common to himself and his employer which were set forth in Chapter III.

- (a) A steady job
- (b) Adequate real wages
- (c) A good foreman
- (d) A voice, individual and collective, in settling his own conditions.
- (e) A chance to rise.

What is behind these wants? — The nightmare of unemployment; the standard of living; the unintelligent and unwise handling of workmen individually and in small groups by supervisors who lack enlightenment and sympathy, and need education in the economics and psychology of co-operating with workers to "make goods plentiful and men dear."

The worker wants to know a lot of things. He wants to know how things happen; why things happen, and how he can reconcile these happenings with his keenly-felt limitations. He wants to have a fighting chance to break through somewhere, some day, if he can, and that little bit of blue sky must be in the industrial scene.

Some of the symptoms are unrest, industrial wars and rumors of wars, and a state of mind which is fertile soil for the man, often not a workman, who wishes to capitalize the worker's feelings for quite different and subversive purposes.

Men are moved much more by their feelings than by their thoughts. When intelligence, emotions, and disposition — the three motive powers of human beings — are appealed to in people lacking necessary information, the fact that the appeal is based on truth has very little to do with the result if those to whom the appeal is made are, whether rightly or

wrongly, in an exasperated state of mind. What of it? Low production; low morale; little co-operation; readiness to change our social and economic system for others *which give no guarantee of betterment.*

**What Are We Going to Do About It? —** Educate! Educate whom? The employer, the superintendents and the foremen, the employes and the public in the art of co-operating harmoniously in "getting a living." Educate how? Suitable literature; talks, personal contacts; open forums of supervisors and employes where a chance to talk back is afforded and where there is an opportunity to air both ignorance and knowledge, truth and untruth.

Employes' representation plans, which are dealt with in Chapters XII, XIII, and XIV are the natural result of such action. They are the formulated method of discussing the business and economic questions that mutually concern the management and all of the employes in a plant. Such action does not ignore the fact that labor has a mutuality and solidarity transcending the plant as a unit, but it takes adequate care of the relations that belong in the plant and must be settled satisfactorily there. By so doing it greatly reduces the chances of external friction and misunderstanding which are always present when employes and sometimes supervisors are left "up in the air" about their company's policies, intentions and problems, and the company has no adequate idea of its employes' problems.

**Unionism at Present Unequal to the Task. —** But, it is urged, will not the unions take care of all this when the employer exhibits the necessary willingness? The matter is not so simple as this. Obviously the unions cannot function where they do not exist in force and they have not succeeded as yet in commanding the allegiance of more than one-seventh of the people in manufacturing industry, in spite of the invaluable services unionism has rendered in the past from which all labor has benefited and partly because current

union policy and practice is *not acceptable to many wage-earners* who nevertheless have aspirations hitherto unfulfilled.

In industries external to plants and loosely connected with any single employer, labor organizations have made greater progress as would be expected, but even in plants where they exist, unionism, after framing and widely publishing a comprehensive "bill of rights," concentrates as a rule largely on wages and the "closed shop" issue. Much more than that is needed to restore some joy to the job and to create a good understanding in the plant itself.

Lack of good leaders, factionalism and jurisdictional and craft jealousies, have greatly hindered unionism in tackling constructive work and in the past it has been forced by the attitude of capital to spend much time in the trenches. That kind of warfare and indeed any program of direct action on either side, it is hoped, is over for an increasing number of employers and employes in America. Such militancy however is still the deliberate choice of a minority of organized labor which, realizing that its unsocial desires cannot be obtained by constitutional means, seeks to irritate the public into effecting a settlement outside the merits of the dispute.

The needs set forth here are actually *what the worker thinks and talks about on the job*. If they are not fairly met in the bodies advocated here for joint-conference, the employer who joins the wage-earners in instituting them will only present unionism with a body of unusually energized and enlightened workers who will be a decided acquisition. Why should he do so? "Because," says the official spokesman of labor, "he wishes to mislead and exploit the worker." It is high time unionism woke up to the opportunity it is neglecting. It has too low an estimate of the intelligence of the employer, of its own members and of the huge labor army outside of its ranks, if it imagines that workers today are incapable of self-expression and wise self-determination when a

democratic opportunity is afforded, or that the employers could, even if they would, now control labor in their own interests.

**Labor Needs Better Leaders.**—The leaders of labor have been most concerned for several years past about getting controversies with capital hustled out of direct collective dealing into the hands of umpires with the claim of more advantage to labor's interests. However, they are not so sure now of the wisdom of this course. On the other hand collective consideration of the facts and economics and merits of an actual or a possible controversy is gaining ground with employers and employes—largely because of the characters and conduct of some of the official representatives of labor—and intelligent agreements are being arrived at without the latter and without the aid of the law or of the current political administration. These, however, are not attained without workman leaders of employes taking part. There are likely to be more "leaders" than ever, but not so many "oral leaders" whose knowledge of any plant situation is often of the flimsiest description.

Education is spreading. Workmen are reading more and thinking more accurately and their thoughts are worth listening to. Every genuine reaching-out for enlightenment helps the social situation, but "Labor Colleges" and "Labor Economics," with the stress upon "labor" will not help much if people use them chiefly to find doubtful theoretical support for convictions already firmly held rather than to ascertain the answer of science. Nevertheless the way to begin is to begin and employers should welcome and encourage all aspirations of labor for education.

The sincerity of the great majority of union leaders should not be questioned. They have a hard row to hoe and all the tricks of the political trade to counter from their rivals for office and from unreasonable and ill-disposed people in the rank and file of their union members. They have also



*a stone wall of opposition from most employers with whom some of them would be glad to co-operate instead of fight, and employers would do well — whether business calls for it or not — to get acquainted with some of labor's prime ministers, instead of reminiscing about encounters with its rough-necks. Fanatical bigotry, accompanied often by ignorance and sometimes by cupidity, leads some labor leaders to take steps obviously disadvantageous to their numerous but nominal supporters who play little or no part in the game. That this is done sometimes chiefly to secure power and profit for labor leaders of low moral standing who have maneuvered themselves into high offices is a matter of common knowledge. That capitalism anywhere should connive at it is a disgrace.*

We have shown that the people composing the small fraction of our population that designates itself "labor" are just like the rest of us — conservative and extreme, ignorant and educated, industrious and lazy, reasonable and unreasonable, evil and good. The labor leader of such a mixed multitude is in consequence primarily a politician who feels he must be all things to all men and when he is — nominally at least — a national leader of industrious craftsmen spread over forty-eight sovereign states, or even over a whole continent, he is apt to be a statesman, a humbug, or a trimmer. When the latter, he has to seek "a law above the law," as he terms it, to justify acts and policies inconsistent with the general social welfare and the Constitution and to approve, or at least not to denounce, conduct which is repugnant to all reasonable and fair-minded workers.

**Craft Unionism Inadequate.** — The President of the American Federation of Labor recently informed the nation that "Labor, owing to its peculiar situation, must have rights beyond those of other classes." That is a typical proposition to the American people by the voluble but unwise spokesman of only three million out of forty-one million of our people who are gainfully employed and who make no such demands themselves.

It is claimed in extenuation of inflammatory declarations and selfish principles like the above, and many more, that we must distinguish between the unscrupulous people who manipulate many of the orthodox unions and the generally passive and sensible attitude of the rank and file who take no active part unless a crisis is reached.

But as long as this condition obtains it will be in order to find some way of educating employes to take a genuine and direct personal interest in their labor affairs at the plant *where they get a living*; and this without inhibiting them from making external affiliations also.

How this can be done and how employes react to it is no longer a matter of conjecture. If some of labor's present interests continue to be manipulated and utilized to its disadvantage by a handful of leaders mostly concerned about their own pet social reforms or personal advancement and profit, or to secure extra-legal privileges for a small minority of "labor"—and a still smaller portion of society, democracy may prove once more that it prefers to make its own mistakes and to follow those who show a sincere and manifestly unselfish desire to serve it.

History shows that great economic and social forces flow like a tide over communities only half conscious of that which is befalling them. Wise statesmen foresee what time is thus bringing, and try to shape institutions and mold men's thoughts and purpose in accordance with the change that is silently coming on.

The unwise are those who bring nothing constructive to the process and who greatly imperil the future of mankind, by leaving great questions to be fought out between ignorant change on one hand and ignorant opposition to change on the other.

JOHN STUART MILL

## CHAPTER VI

### EMPLOYERS' ASSOCIATIONS

**Their Lack of Vision.** — The importance of getting at the facts and motives of the behavior of employers and workmen is emphasized at every stage of this study, and the obligation upon sincere leaders on both sides to attempt systematic education has been urged as an indispensable prerequisite of a good and stable understanding.

Few people have correctly and thoroughly analyzed the issues between capital and labor. Even the parties in controversy seldom comprehend fully their real differences. Most of the employers' associations and many individual employers, though handling wisely and effectively the economic interests of their industries, have in regard to labor matters been merely the counterparts of militant unionism — obscurantist, self-centered, with little regard for their relative importance in the social scheme; often possessing a creed of liberal generalities and managing indifferently or repressively. Examining their labor records and pronouncements with which alone we are dealing here one is struck by their almost uniform agreement that *if only agitation could be suppressed* — particularly the efforts of labor leaders holding advanced social views — all would be well in the best of all economic systems. Such superficiality explains nothing and settles nothing. Agitation could not go far unless there was a material issue underlying it. Agitation does not precede differences. It follows and enlarges them. It is true that some "agitation" has been only a cover for schemes subversive of our system of government; schemes unwilling to submit to the verdict of popular opinion. But only a small minority of labor holds such views. Employers' Asso-

ciations and their agents have been too ready to include discontented labor in this category.

**The Right Procedure.**—About each of the labor controversies with which capital is faced from time to time, employers' associations and individual employers should fearlessly seek the truth; should painstakingly procure correct answers to four questions in each case; namely, (1) What is it? (2) What causes it? (3) What of it? (4) What should be done about it? This is the method of science; the principle of verification now dominant in all departments of human progress.

If this is done much error on the part of labor will be exposed and eliminated and the state of mind at the bottom of labor's action will be corrected. Similarly the mind of capital will be informed and changed about many things with which at present labor is supposed to be unreasonably dissatisfied.

We have outlined in Chapter V what the workman really wants as distinguished from the exaggerations of some of his leaders, the rhetoric of labor politics, and the truculent formula, "all the traffic will bear." We have also indicated how these wants arise and how they finally become transformed under the influence of feeling into unreasonable and sometimes impossible demands. Should employers' associations devote the bulk of their time to denouncing the latter as some of them do? What are they doing constructively in the premises? The leadership that may be exercised by employers is a natural one. It is at once an obligation and a privilege. The managers of industry, and these include many of the capitalists, have superior opportunities and administrative powers at their command, and usually — though not always — superior intelligence as well, and they must naturally bear a larger share of responsibility than labor for the proper solution of their joint problems.

**Three Policies of Employers.**—The courses actually fol-

lowed today by individual employers or by organizations of employers vary considerably and are influenced by their personal inclinations, the nature of their industry, the character of their association and of the unions involved, and by conditions at the moment. In the main, the policy and procedure of employers' associations follows three lines.

1. *Anti-Unionism*: Moved by the defects and excesses of labor organizations, and lacking the desire to probe for and deal with underlying causes, the greater part of employers' associations today see little reason in the desires of labor *and organize to fight them on general principles*. Employes are forbidden to organize. Their legitimate activities are interfered with and by espionage, selective hiring, and various other coercive measures, attempts are made to combat the growth and manifestations of unionism. Militancy is of the essence of the associations adopting this course and many of them have so abused the spirit of the "open-shop" that some employers who do run genuine open-shops hesitate now to so designate them. Seeming progress during periods of depression is made by such reactionary employing forces, but it is only apparent. Nothing constructive or permanent will be attained through coercion by either side. A record of this attitude in detail would serve no useful purpose in this study of bettering relations, but it must not be forgotten that many employers with nominal membership in associations adopting reactionary methods are themselves practising a wise and appreciated co-operation with their own employes, and more employers' associations than ever before are adopting and practising the principles advocated in this book.

2. *Constructive Co-operation with Employes' Unions*:—Where unionism represents in fact the whole or the great majority of the employes in a plant, or in an industry, some employers have considered it the wise and proper course, and others have had no alternative, to deal individually and through their associations with the unions on all economic

matters affecting employes. Experience with this has varied greatly. Monopoly of labor control has been abused by many unions quite as much as the monopoly of the opportunity for labor has been undoubtedly abused by some employers. Yet examples are not wanting of mutually satisfactory relations between employers and organized workers who respect each other and keep their agreements and these relations should not be discarded because of a popular movement to give reasonable self-expression to labor in the plants — particularly in the many where unionism — sometimes for its sins — has obtained no favor or is not truly representative. Instead, employes' representation in the plant should be added to unionism where the latter exists, not used to supplant it.

It is doubtful if all employers now running unionized or "closed" shops are doing all that is possible to get their employes co-operating intelligently. Indifferent or reluctant surrender to a union agreement will not promote efficiency or raise the standard of intelligence in a plant. That is the refuge of the lazy employer with no ideals for his industrial relations and content with attaining a mean security. On the other hand, a union agreement is sometimes the deliberate choice of capital which is prepared to risk the possibility of organized economic friction, but which believes it can win confidence.

Co-operation on a regional or a national scale between unions and employers' associations has been confined so far to only a few trades; such as clothing, glass workers, printers, the railroads, groups of crafts involved in the hand trades of building, and a few others, and in some of these management submits to unreasonable conditions for the sake of continuous operation. Such partial co-operation naturally "features" in the press, for it furnishes "news," but it is not typical. Most of the existing union agreements are with individual concerns. Where such agreements involve the "closed shop" and where, as in the building trades, there is usually only a brief con-

nection by any one employe with any one employer, the temptation to manipulate the employes' interests for personal gain has proved too much for some of the types of leader extant and all unionism is reflected upon by the resulting scandals which have been made the subject of judicial and public inquiry and of wide publicity.

This kind of thing can no longer be done in a corner and such labor unionism, almost always of the "closed shop" craft type with control of all entrances to the trade, must purge itself of this element of leadership before it can expect any marked extension of its borders or the regaining of the confidence of "labor" as distinguished from its present small minority of supporters.

The voluntary setting-up of national and regional tribunals recently in the clothing and electrical construction industries has been watched with interest and is a hopeful feature, but as it virtually predicates "the closed shop," and eventuates in that in most cases, it is really a small self-contained enterprise of co-operation with unions, which nevertheless will bear watching and careful study on the part of capital. The bulk of unions, however, deal directly with individual employers, in closed or partly closed shops, with little or no attempt at constructive co-operation. The testimony of employers operating under union conditions is on the whole negative as to any general encouragement of employes by the present type of union officials in the direction of efficient operation.

As a matter of fact union labor today does not constitute more than one-seventh of all the labor in manufacturing industries involving the congregation of workers in plants and it forms only 3.8 per cent of the population of the United States and less than one tenth of the gainfully employed people. Hence, *rapid extension of unionism and co-operation from it* cannot be looked to as an early way out of present unsatisfactory industrial relations. The improvement of



these relations should not await the pleasure and convenience of our "labor barons" any more than reactionary tendencies amongst some capitalists should be allowed to inhibit the great bulk of employers in drawing closer to their employes. It is noticeable that the best expert personnel administration is not usually followed where organized labor has acquired a monopoly of the opportunities for employment. In this respect an exception must be made in regard to the clothing trades under the new conditions already referred to. For in a few outstanding clothing factories of large size and progressive ownership the personnel administration is expert and of the very highest type.

3. *Constructive Co-operation with all Employes in the Plant:* The most recent and promising development in the relations of capital and labor has been in the plants where labor is either not formally organized, or where organized people are in a decided minority. In such places the lack of direct contact with the employer, which is favored by some unions out of policy, is not a feature, and a great opportunity is presented to an employer who sincerely desires to remove every obstacle to self-expression by his employes, without discrimination of any kind either on his part or on the part of any organized minority of the workers.

Such co-operative association is not inconsistent with effective home rule in the plant even where all the workers are already organized, and indeed is calculated to supplement a noticeable weakness in official unionism; namely, lack of interest in the day's work *in any one plant and in any one worker*. So far, the leaders of organized labor have announced themselves as wholly opposed to any coming together of employer and employe in this way, but union workmen nevertheless have participated freely in plant councils and have been increasingly interested in the unusual opportunity. Such employers, freed from the inhibitions which official unionism still considers desirable in its own interests, are excelling

most others in the expert character of their personnel administration, and are obtaining some interesting results in collective dealings between elected employee representatives and appointed management representatives on all issues affecting the employees' interest. Details of this movement are given in Chapters XII, XIII and XIV and full particulars of a widely successful plan of representation are given in the Appendix.

Employers' Associations are showing an increasing interest in the third course just outlined regarding labor relations, and in which the larger employers are taking the lead, but the great bulk of the smaller employers are still drifting, having neither affiliation with employers' associations, nor with organized labor, nor with their own employees as a body. They have no consistent labor policy in many cases, although they constitute the owners of nearly 90 % of all our manufacturing establishments, and employ four and a half million people or about one-half of the workers in manufactures.

**The Employers' Program.** — British employers are urged by Lord Askwith — the dean of European arbitrators — in the direction towards which our own forward-looking employers are headed; namely, a degree of frankness regarding the facts of a business which would have been considered revolutionary a few years ago but which by the mere force of truth would be almost certain to disarm existing prejudice. Mr. B. Seeböhm Rowntree, who is regarded in America as England's most progressive employer, has already exemplified this.<sup>1</sup> In fact, through different experiences and practices the best representatives of good industrial management in both countries, using the scientific method, have arrived at practically the same conclusion, as the following extract from Lord Askwith's recent autobiographical survey of his twenty years of successful mediation shows: —

<sup>1</sup> "The Human Factor in Business." 1921.

"If the spirit or the ideal of joint success and the value of increased production to all concerned can be obtained in any works or undertakings, those undertakings will be the last to have to fear dictation by trade unions, because the trade unions would have no valid ground of complaint. They will also have better opportunity of settling difficulties with their own workmen *without the interference of third parties or the government*. They will out-distance or absorb their competitors, who will have, from self-interest, to follow suit. Any employer who sets himself to develop his business and push forward, carrying his young workmen with him by care for their valid interests, and refusing to be tied down by the level of the most obsolete or badly equipped works in the trade, is bound to find his enterprise and care leading to good results. It may be very difficult, and the hindrances may be great. The application of principle in some industries may be very hard to accomplish. The workers cannot be taught the lesson or be brought to understanding and trust in a day; but they soon know who are good employers and who are bad. The time has passed when employers can afford to ignore the fact that, unless there is to be continued hostility between two opposing forces, they must show the worker the real objective to which the employer is working; they must consider the comfort and well-being of the worker as a human being; they must have suitable methods of listening to and redressing valid complaints, either by the workmen themselves, or by the workmen with the aid of the management; they must endeavor to insure to all workmen a direct interest in the result of their work, and enlist their activity in mutual success; and see that the curtailment of advancement or chance of advancement to the youth does not reduce the worker to the position of a machine. A new atmosphere is required in which men can breathe more easily."

**The Employes' Program.** — We have noted that there are many schools of thought amongst the ranks of labor and particularly amongst the intellectuals who theorize about our social system. But the directors of industry and the people in it should always bear in mind that there are relatively very few people composing these schools. By far the larger part of the workers consists of men and women who have

not worked out any theory as to the ultimate basis of industry and who would have no objection to the continuance of the capitalistic system if the conditions of the workers could be improved. They resent glaring contrasts between the lot of the average worker and that of the apparently "idle rich" and they also resent having to work under a system in the internal control of which they take no part. Their ambitions are not unfairly voiced by Mr. Gosling, President of the British Trade Union Congress in 1916 when he said:

"We are tired of war in the industrial field. The British workman cannot quietly submit to an autocratic government of the conditions of his own life. He will not take 'Prussianism' lying down, even in the dock, the factory, or the mine. Would it not be possible for the employers of this country, on the conclusion of peace, when we have rid ourselves of the restrictive legislation to which we have submitted for war purposes, to agree to put their businesses on a new footing, by admitting the workmen to some participation, not in profits but in control? We workmen do not ask that we should be admitted to any share in what is essentially the employer's own business—that is, in those matters which do not concern us directly, in the industry or employment in which we may be engaged. We do not seek to sit on the board of directors, or to interfere with the buying of materials, or with the selling of the product. But in the daily management of the employment in which we spend our lives, in the atmosphere and under the conditions in which we have to work, in the conditions of remuneration and even in the manners and practices of the foreman, with whom we have to be in contact, in all these matters we feel we, as workmen, have a right to a voice—even to an equal voice—with the management itself. Believe me, we shall never get any lasting industrial peace except on the lines of industrial democracy."

It is the body of employers and employes respectively in Great Britain and on the American continent who hold such reasonable and progressive aspirations and who alone can put them into effective practice, who can determine both the



## **CHAPTER VII**

### **THE "OPEN" AND "CLOSED" SHOP**

**We are likely to see a cleavage in the ranks of the workers on the fundamental differences between conservative and radical temperaments, lines which are so fixed in human nature that they do not conform to the divisions between employes and employers.**

**J. LAURENCE LAUGHLIN**

## CHAPTER VII

### THE "OPEN" AND "CLOSED" SHOP

No discussion of the relations of capital and labor would be complete which did not try to estimate the nature and merits of the "open" and "closed shop" issues which are the battle cries of militant capital and labor respectively at this time, but which do not greatly agitate moderate people on either side.

**These Names Are Not Descriptions.** — Loudly proclaimed as "The American Plan" on one side, and as loudly denounced as anti-social and subversive of liberty on the other, the "open" shop, as a matter of fact, is not usually what it would like to be thought; neither is the "closed shop." The labor issues thus designated are confused by words, by simple words and apparently generous sentiments, which do not fit a complex situation and do not correctly describe any phase of it.

First of all, we must keep in view the relativity of the matter, the fact that the whole controversy on labor's side does not actively concern more than the union leaders and a fraction of their membership. The latter numbers in all only about one-seventh of the workers in the country's nearly 300,000 manufacturing plants and construction workplaces. Even a great many union workers are operating quite happily as minorities or as acquiescing majorities in "open" shops. Nevertheless, there are other unionized wage-earners who find that the "openness" of the shops they work in is used by the employer as a complete barrier to their self-expression. In most cases the opposition they encounter is due to



objections by employers to the starting or to the extension of unionism in their plants and to their assumption that a rigid monopoly of the jobs in their plants is the undoubted aim and object of official labor. It is not always so and, even if it were, such an objective is not criminal or necessarily destructive of liberty.

Much literature of an ephemeral character and often polemical in tone has been published on the "open" and "closed" shop issues and chiefly by partisans. An endeavor is made here to give a concise summary of the facts and an opinion upon the merits derived from many years of contact with both types.

The so-called "open-shop" of capital is merely a general label, sometimes a virtuous tag, for various practices extending from genuine democracy in the general selection and treatment of labor to the severest discrimination. It is more correctly styled a "non-union" shop policy, and such non-union shops — in the sense that unions do not and cannot control or even represent the whole or their own sections of labor there — are of four kinds. The third kind of "open shop" defined below, be it noted, comprises *by far the larger number of plants* in the country and is likely to be increasingly modified by the trend towards home-rule in the plant as a unit which the writer advocates as desirable regardless of the degree of union sentiment prevailing at any time amongst the employes.

**Analysis of Terms.** — The following tabular statement shows at a glance the actual conditions and a complex situation which is not revealed in partisan pronouncements upon the subject.

**Non-Union Shops. —**

- (1) Anti-union shops closed to all union men. This is a *monopoly, for the employer*, of unorganized labor.
- (2) Anti-union shop where non-union men get the preference.

- (3) Real open-shop without discrimination or preference but no representation for employees.
- (4) Real open-shop with employees' representation of varying degrees of authority; some with equal powers with capital on all labor issues and with status for craft unions where such exist. This is the coming type of shop organization and, when fully developed, it should function as a court of first instance equally as well in the fully unionized shops as it promises to do in the non-union shop.

"Union shops" are much fewer in number than the public is aware of. They divide into five kinds, type six being most numerous.

#### Union Shops. —

- (5) "Open-Shop" in which the union represents all labor in controversies. This type has practically passed out of existence. It was only possible through Federal imposition of it upon industry during the war.
- (6) "Open Union Shop" in which unionism is recognized only so far as it obtains but where the union makes no attempt to control the employer's hiring policy. The union's attitude towards non-unionized workers in such shops varies greatly and depends largely upon the character and policies of its current leaders and members. In practice it ranges from entire amity to open intimidation.
- (7) "Preferential Union Shop" in which the union is recognized and its members, when available and competent, are given a preference for vacancies.
- (8) "Closed Union Shop" of a union encouraging new applicants.
- (9) "Closed Union Shop" of a union closed as to new membership. This is a *sheer monopoly in the interests of a small group of craftsmen* at the expense of all other workers and of society.

#### Only Two Varieties of Shops of Consequence at Present. —

In philosophizing upon the variants just described, a sense of proportion absent in much labor theory and in teaching

about it must be preserved, for outside of the building trades and other hand-industries and of printing, clothing, transportation, and mining, and one or two others, there are *relatively few of the union shops* of types 7, 8, and 9 in existence, and shops of these types are likely to decrease in number. For all practical purposes the "union-shop" of type 6 is the most prevalent amongst organized plants. The "open-shop" of type 3 is the most common amongst the shops giving no specific union recognition but its transformation into type 4 is under way. "Recognition" of the union varies considerably in its nature and extent and "open shops" of type 3 do in some cases recognize the unions controlling certain crafts forming a minority of the employes. Sometimes these unions represent the majority but not the minority of the employes in both types 3 and 6. In some shops of type 6 the union, because it represents the majority, is recognized by the employer — though not always by the minority — as representing all and, of course, complete recognition of the union holds where the shop is fully organized.

**What Can Be Done?** — Where the employes themselves as a whole, or as a large majority, are *indisposed to join a union* either on principle or more often because of the undesirable character or practices of the existing union organizers — *and this is quite common* — the wise employer will seek to *take no advantage* of this situation by pledging his employes to non-unionism, but will do his best to co-operate with them in the creation of a truly representative body at the plant which is entirely acceptable to all of the people, and through which they can have effective self-determination about all of their economic affairs.

It should never be assumed by the employer that the unpopularity or ill-success of any one body of union organizers or local leaders and the resulting enfeebled unionism proves that "our people are not interested in unionism."

When unionized labor pays its organizers better wages,

selects them more carefully both as to ability and character, reviews their performances more often and more intelligently, and supports their agreements faithfully, it may then have the means to "sell" its point of view effectively to many employers who today are unable to bring themselves to deal with some of the union leaders now in power. The same thing applies to the difficulties conservative union leaders experience in getting even within ear-shot of some of our "hard-boiled" captains of industry. There should be for its own good nothing in capitalism and its trusteeship in industry which its best exponents should not be able to defend successfully before all comers, and our experience is that the workman, though justifiably suspicious and needing information and education, is not "hard-boiled" but is as reasonable as the rest of people when he is as well-informed. Some unions are foolishly fighting irreproachable "open shops," as a matter of principle, they claim, and some employers are "seeing things" about the "closed shop" which "never happened."

American employers who desire to deal with labor through unions must set their houses in order for such dealing. That desire is not yet a prominent one but it may become so if union labor should decide to "clean house" and to co-operate willingly in those forms of employees' representation which infringe in no way upon their ultimate freedom of action.

The considerations advanced above do not ignore the patent scandals which have characterized the actions of labor and also of capital from time to time; in industries, however, employing a relatively small proportion of the wage-earners. These are matters for the law with which we are not dealing in this study and from which we do not invite the capitalist to expect or to solicit much help in the normal functioning of his industry. The excesses and short-comings of some wage-earners and of certain types of their leaders should in no way discount in the employer's mind the reasonableness

of labor's hunger for security 'above everything; for the steady job, adequate pay, and self-respecting conditions.

**The Heart of the Matter.**—Employers should bear in mind that, whether unionism is much in evidence or not, labor has innate solidarity. The herd instinct is a natural one. The ardent union wage-earner often over-emphasizing issues, careless about accuracy in detail and lacking information about the facts of his job and about his employer, does not greatly misrepresent the heart's desire of the less obvious non-union man. The latter is often quiescent when he is by no means satisfied either with his unionized fellow-workers or with his employer. The average employe earnestly desires, as we have seen, to count where his interests are in question, and the fact that he sometimes does not choose in his personal situation to entrust these interests to a union should not be made too much of by his employer. "Closed" or "Open" Shop is not the real controversy. *It is closed or open hearts*; it is a question of a new spirit on both sides; not of crooked economics in capitalism or of poor cards in the workers' hands. In the writer's opinion not a few American employers through genuinely democratic employes' representation, with no implication of finality about its form, have made a good beginning for a new industrial day. They have done so without having to surrender any of the executive liberties necessary for the efficient operation of capitalism, and without predicating any immediate moral miracles, as a few have done under the guidance of industrial evangelists. Wise employers have not made too heavy a draft upon human nature as we know it. They have also taken care to let their workers "make their own mistakes," after affording them every opportunity for information. The workers, both union and non-union, on their part have shown *no disposition to make serious mistakes* and, though entirely free to do so, they have also been slow about committing their affairs to the tender mercies of union leaders whose performances had not

been reassuring in the past, and whose intentions were sometimes plainly unsocial.

It is clear that a new unionism will be needed to capture the sympathies and support of not a few of the wage-earners and it may be forthcoming when the smoke of present controversies clears away. Meanwhile, protesting union leaders and objecting sociologists scornfully term the organization of all employes in a plant simply as employes there, "the Company Union." The name, however, will not hurt if the institution is acceptable to and is really desired by the employes and if it leaves them the fullest freedom of action. In any case, where it is sincerely utilized by employers in their labor issues, such informed, self-disciplined bodies including all of the wage-earners in a plant will have to be reckoned with in any labor movement of the future, and a new body of enlightened employe opinion will have to be taken into account as education in these is proceeding rapidly. Most of the unions have failed miserably in educating their own members and most employers have failed to sense what is on the worker's mind and to sympathize with it. They have also failed to distinguish between the follies and the honest mistakes of labor's official leaders.

Capitalism can cure itself, for it is not the blind force that socialists supposed; and not the helpless plaything of demand and supply, but it is Management. And the greatest self-cure that it needs today is security of the job, for it is the insecurity of jobs that is the breeder of socialism, of anarchism, of the restrictions of trade-unionism, and a menace to capitalism, the nation, and even civilization.

JOHN R. COMMONS

It is the man whose activities show that he cares for the welfare and the happiness of those less intelligent, that has their confidence, their vote, and their obedience.

HERBERT HENRY GODDARD

## CHAPTER VIII

### THE CLAIMS OF CAPITALISM

Before discussing what capital and labor in co-operation can accomplish, it is well to record what capitalism has to say as to the service which that system renders to all of us, and to labor in particular.

Official labor of the more radical type deals with capitalism almost entirely from the point of view of objections, and makes, as we have seen, many criticisms and proposals which are not on the minds of the great majority of the workers. The latter's thoughts are directed almost wholly to certain details of this system *as they appear to affect their interests*, and the worker himself has few changes in principle to suggest.

One of the chief errors of some of those who want to alter the existing order of society, and a feature of unintelligent criticism in the plant itself, is in the assumption that wealth in private hands is of no value to anybody but the owners. This assumption runs through a great deal of the agitation of the day, and it is at the bottom of attacks on private property and of most schemes for collective ownership of the instruments of production. The very phrase "Capitalistic System" is assumed by some publicists and reformers to be a complete indictment in itself and needing no argument. We have dealt with the main objections from this source already in Chapters III and IV, and will here set forth briefly some positive aspects of capitalism, on which labor needs enlightenment. Toward this, capital should direct some of its educational effort wherever it is in earnest in the desire to circulate the truth and to be judged by it.



The genuine social service of ability and character applied successfully to the problem of creating an adequate surplus of any commodity is, we believe, not sufficiently recognized by labor or by society. The frank and convinced acceptance of the value of capitalism by employes and all industrial executives is a necessary condition for full co-operation, but it does not imply that all unsocial acts of capitalists are to be condoned and that they necessarily go with the system.

The capitalist who believes that intelligent competition restrained by consideration of the public interest is the best way of making men, as at present constituted, serve their fellows, should be able to defend that position intelligently and convincingly to his employes and society.

**What Happens to New Wealth?** — The right place to measure the distribution of wealth is not at the point of ownership, but at the point of consumption. Of the two kinds of wealth one consists of consumable wealth, of goods ready for consumption, such as food, clothing, and furnishings. This kind is valued for itself. The other kind consists of property which is used in producing things or in rendering direct service, such as land, factories, railroads, etc., etc. This kind of wealth is not valued for itself; it is valued for the things it will produce, for the flow of benefits that it can give, and all the value is in the flow. We have shown in Chapter II that the consumable wealth is very widely distributed, despite the assertions of the discontented to the contrary. It is different, however, with regard to the distribution of the ownership of productive property. The management and ownership of the latter gravitates under natural laws into the hands of those who are able to make it most productive. It is in the interest of the community—"all-of-us"—that it should be so. Would it not be better for the community if the farmer who seldom gets more than thirty bushels of corn to the acre would sell out his place to a farmer who seldom gets less than fifty bushels to the acre, unless he can be stimu-

lated by the latter's example to make a better use of his land? The farm is not alone in this contrast. All the industries without exception are subject to this tendency under the system of competition in which we live, and the general interest of the community is clearly served by such progress in industry and by abundant production.

When we follow consumable wealth into the markets and thence into the ultimate consumer's hands, we are able to ascertain the real distribution of benefits. When this is done, the baselessness of the charge that two or three per cent of our population enjoy most of the benefits of existing wealth is exposed. We know well that two or three per cent of the people do not eat most of the food-stuffs produced in this country or wear most of the clothing, or burn most of the coal, or do most of the riding on railroads, or own most of the automobiles. It is not that small portion of the population that is consuming the products of the industries. Certainly the great trade of this country is not in supplying the wants of two or three per cent of its people.

**The Rich Do Not Consume Their Share.** — In proportion to the total production of wealth in the country the portion of it consumed by the rich is trivial and insignificant. The bulk of the large incomes goes right back into industry to increase production. As a matter of fact the progress of industry absolutely depends upon the self-denying use of such surpluses. All the benefits of this procedure go to the great body of consumers. That part of the income of rich people which is saved and converted into capital and used to increase production for the public at large is as truly devoted to a public use, and far more effectually, than if it had been paid into the public treasury.

The same is true of any grade of saver and investor. The small farmer who uses the surplus income of his successful year to drain and otherwise improve his land and increase its productivity is also active in a manner which best serves

the public interest. What better use can the present government or any conceivable substitute for it make of such a surplus? Russia, today, is the outstanding example of a foolish government, abolishing the motive for such saving amongst the agricultural people by declaring that it would take the whole surplus, apart from a bare subsistence, from the farmer, with the result that there was misery on the farms and no surplus and hardly anything for the people in the cities.

**All Society Gains from Invested Savings.** — The man who owns no property, and who spends all of his wages the same week he receives them is benefited by an accumulation of capital which makes industry more productive and increases the supply of things he purchases.

The gains of society in the last hundred years have been accomplished for the most part by improvements in the methods of production through the use of power and machinery under increasingly able direction. They have been accomplished by the development of the industrial plant. The industrial plant represents the earnings and savings and profits of individuals, increasingly drawn from the ranks of the wage earners themselves. These individuals, both directly and through savings institutions, now constitute a huge army of stockholders and bondholders numbering many millions of people.

As a matter of fact, these private earnings and savings, these self-denials, these postponements of immediate satisfaction, originated with the more intelligent, more self-denying, and far-seeing people of all degrees of wealth. They spread gradually, lifting the whole level of social life far above what it was before massed capital popularly owned became an important factor in production. The "good old times" are a figment of the imagination, due largely to the circumstance that until the late eighties popular history had not recorded the misery and squalor and hopeless outlook of the laboring man less than a century ago.

Before the possibility of the worker contributing to the supply of capital arrived through improved status, and before the habit of thrift and self-denial to that end was cultivated, the progress of industry and the possibility of an increased quantity of goods in the world were wholly dependent upon a relatively few individuals.

**The State Would Not Use Property More Wisely.** — We still live under a régime of privately conducted but popularly owned industry which is a necessary part of the equipment of society. This equipment is rendering the same, and undoubtedly a better, service than if it were owned by the State, if we may take economic management of state and municipal and national affairs as a criterion of what management of industry and business is likely to be in government hands.

The section of labor which today advocates government ownership and operation of the railroads and some large industries does so upon the theory that society would thereby *escape from paying the profits of operation*. But aside from the question of guaranteed efficiency of government operation — on which recent experience on a large scale on railroads and shipping is wholly negative — they overlook the fact that if there were no profits, there would be no fund for the improvement or development of industries and consequently no industrial progress. It is a fact well established that new capital equal to all the net earnings of the railroads of the United States should be invested in them annually if we are to keep them up to the growing needs of the country.

**There are Limits to Reservations from Consumption.** — A socialist or collective system of society would some way, somehow, have to create and invest this sum yearly to keep up and enlarge productive facilities — instead of dividing it up — just as is now the case with private initiative or capitalism at the helm. But there are people, not all of whom desire to change the system of private property, who

honestly believe that *too much has been reserved* from individual distribution in the past. Yet how does anybody know that the condition of the wage- and salary-earner in the United States would be better today if more had been divided in wages and salaries and quickly spent on personal satisfactions and less had been devoted to the development of industry. We cannot both "eat our cake and have it." If the profits of industry had been less, there is no reason whatever to believe from a study of the habits of the wage-earners in the past, that a concentration of small self-denials by them would have afforded the necessary development or that any such development would have been attempted by the workers. On the contrary our whole level of subsistence today for our one hundred and five million people would have been distinctly lower. What we need with a country gradually filling up is guarantees of our social and material needs, not rosy hopes and ineffectual desires. We do not ignore, however, the consequences of going too far in reservation of surpluses. There is little doubt that during the last fifty years in England, for instance, that is what took place with regard to the workers in the lower grades at least. Capitalism equally with labor recognizes that "wealth" and "welfare" are not interchangeable terms and that the distribution of the national income, as well as its amount, is important. The most recent estimate of that distribution has been given in Chapter II, and it confutes much wild speculation as to undisclosed wealth reserved from use.

**Reservations Subject to Law.**—The truth is that economic law fixes a normal balance between compensation of capital and compensation of labor. If too much of current production is put into equipment and fixed investment and not enough is distributed for current consumption, the purchasing power of the people will fall behind production and further investment will be found unprofitable. This would remedy itself in the long run, would bring about a state of

depression in industry profitable to nobody, but is held in check by the increasing knowledge that the good of all must be the goal. Society is alive to the fact that labor's interests are deeply affected by the short run of any economic change and excessive reservation of surplus. The governing fact in the distribution of wealth is simply this, that *there is practically no way of using capital productively except by employing labor and doing it in the service of the masses of the people.* How fully this has been done with the undistributed surplus of American industry is manifested in Table VII.

TABLE VII  
INCREASE IN INVESTMENT OF CAPITAL IN  
AMERICAN MANUFACTURES

Census Year	1899	1904	1909	1914	1919
Capital Investment per wage-earner.....	\$1904.	\$2316.	\$2786.	\$3239.	\$4922.
Increase over 1899, per cent..	.....	21.6	35.8	70.0	158.5
Increase over previous census, per cent.....	.....	21.6	12.0	11.6	15.2

The generous increase of investment of capital in American manufactures is an outstanding feature compared with industry in other countries and a chief source of its greater productivity. The largest proportion of increase in the United States was made between the years 1899 and 1904, when during a great industrial expansion the capital investment per wage earner jumped more than one-fifth. This increase has proceeded at the average rate of 13 % for each period of five years since 1899, and the capital investment per wage-earner in 1922 is well over \$5000, compared with slightly under \$2000 in 1899, or two and one-half times as much. The later increase in capital investment is not so

large as it seems, due to the lower value of the purchasing power of the dollar from 1917 to 1920, but, on the other hand, the plant forces were inflated in numbers during the same period and with the succeeding reduction of the number of employes using any one investment the ratio per wage-earner has on the whole continued to rise.

Such investment in equipment and improvements and in the inventions stimulated by the policy of extending and improving industry, has steadily decreased the hours of work and the amount of manual exertion demanded and has, despite economic fluctuations, enabled a country rapidly filling up not only to maintain its standards and per capita income, but to advance materially. It is no reflection upon the system of capitalism that it was not able to finance the continuation of the excessive personal expenditures which most of the population practised in war time and for several years thereafter.

In all progressive countries *capital increases faster than the population*, that is, faster than the supply of labor. In the ten years between 1899 and 1909 our population increased 21 per cent, while the amount of capital invested in our manufacturing industries increased five times as fast, or 105 per cent, and the amount of power employed in these industries four times as fast, or 84 per cent. Under these conditions labor comes naturally into a constantly stronger position. Every new fortune, every dollar of new capital which is saved, forthwith goes to work as a producer, to multiply the things that the world wants; and if things multiply *faster than the people*, the inevitable tendency must be "To Make Goods Plentiful, and Men Dear" in the best sense of the term.

**Thrift, the Maker of Capitalists.** — Capitalists know well that, despite the conflicts and oppositions outlined here, the progress of the wage-earners does not depend upon the generosity of forbearance or upon the considerate favor of those

whose natural talents have placed them higher in the social or economic scale. The wage-earning masses in all countries, and particularly in the United States, with its absence of social and traditional restraints and barriers, come up slowly but surely because of the resistless and everlasting laws which work for equality among men. In our day and in our country their rise is accelerated by the fast spreading program of goodwill based on a thorough understanding of what employer and employe desire, where they want to go, and what capital, which is increasingly the massed savings of the worker, will do for them and for society in the hands of forward-looking co-operating people.

How much farther the 41 million gainfully employed

TABLE VIII

## THE FINANCIAL HISTORY OF 100 AVERAGE AMERICANS

At age 35, of these men —	At age 65, of these men —
5 have died	36 have died
10 are wealthy	1 is wealthy
10 are well-to-do	4 are well-to-do
40 live on their earnings	5 live on their earnings
35 show no improvement	54 are not self-supporting
At age 45, of these men —	At age 75, of these men —
16 have died	63 have died
1 is wealthy	1 is wealthy
3 are well-to-do	2 are well-to-do
65 live on their earnings	34 are dependent
15 are no longer self-supporting	
At age 55, of these men —	Estimate at death of 100 men:
20 have died	1 leaves wealth
1 is wealthy	2 leave comfort
3 are well-to-do	15 leave from \$2,000. to \$10,000.
46 live on their earnings	82 leave nothing.
30 are not self-supporting	

Report of "Special Commission on the Necessaries of Life," Commonwealth of Massachusetts, January, 1922.



people in the United States might go in using with wisdom and self-restraint the margin of a saving-income, in taking care not to consume all of their surplus above necessities, is strikingly illustrated in Table VIII. It is taken from a survey made by several life insurance companies, and the results are in marked contrast to the careful reservations from income made by all divisions of the people in much poorer countries.

Except where there exists an unusual desire for thrift, there is relatively very little constructive saving in this country towards the building up of a reserve, to serve as a protection for old age or to meet emergency, death, or unemployment. The startling negligence of the American people in this respect is well illustrated by the table just given. The increasingly large number of those who are at the bottom of these lists at the end of each ten-year period is not composed by any means of those who have never had wealth or the opportunity to acquire and to save. It is a testimony to the careless regard about the future, which is still a peculiarly American characteristic. Were it otherwise a large flow of capital from great institutions, holding in trust the savings of most of the gainfully employed, would irrigate every form of productive effort. How few after all through self-denial provide the means for the renewal of capital and how dependent society is as a whole on these, are the lessons which a survey of capitalism conveys, and they are not offset by proved instances where accumulations of wealth were brought about by unsocial means or were used for unsocial purposes. Yet pyramiding these instances with vivid imagination and often a disregard for the truth has been the practice of not a few social critics, both with and without education.

**Capitalists as Social Trustees.** — Cordial acceptance of capitalism by all is a condition of the realization of its fullest possibilities for labor, capital, and the public. The forefront

of the more persistent and intelligent criticism of capitalism in our day is not based upon Marxian fallacies or indeed upon any of the classical arguments for socialization. It is strictly pragmatic. It asserts that, even admitting all that can be said for capitalism, *the system does not work as it claims.*

It stresses the alleged undue power, unscrupulously and anti-socially exercised, which the control of surpluses, both necessarily and unnecessarily reserved from industry, gives to the very small portion of the people entrusted with them by an increasing and widely scattered public ownership. Capitalism must therefore prove itself a good social trustee, as well as maintain its position as the ablest and most fruitful producing force the world has known. We believe that through higher ideals and better practice, such as are outlined in this study, it can increasingly do both, and thereby solve the real problem of today, namely, to make the existing system operate at its best.

Recently in Germany, Italy, France, Belgium, and England, the great majority of the gainfully employed have declared against the general strike in the interests of "labor" alone. They have emphatically affirmed their adherence to the Capitalism they know rather than to the Communism whose sample blessings have been rejected. They have been witnesses to and beneficiaries of modern capitalism organized for and successful in obtaining an impressive continuity and they have entered their protest against the contention that Society is at the mercy of Labor whenever its big chiefs turn their thumbs down in contemptuous unconcern for "the-rest-of-us." The majority of the gainfully employed in every industrial country have declared for equality of opportunity as against equality of condition. They prefer that "a man's reach should exceed his grasp." To meet the impact of true criticism of capitalism and of the false claims against it we need a chastened serious capitalism conscious that wealth and welfare are not necessarily the same thing, — more con-

vinced than ever of its social usefulness and importance, incapable of asserting that Providence entrusted it with wealth or any divine right yet less sure than ever that this is the best of all possible economic worlds; bending its ear for "the new word," and ready to pass it on. Such a capitalism need have no fear of an inhospitable reception of its claims or lack of appreciation of its services by "the man in the street."

**CHAPTER IX**  
**THE PUBLIC, CAPITAL, AND LABOR**

The last generation busied itself with institutions; this generation is bent rather upon the purpose which institutions may be made to serve. What we want today is a better comprehension by each side in economic controversies of the attitude and arguments of the other. Reconcilements are not always possible but comprehension and appreciation should be possible.

JAMES BRYCE

## CHAPTER IX

### THE PUBLIC, CAPITAL, AND LABOR

A discussion of the reactions of capital and labor, mainly in opposition, has occupied the previous chapters. In turning to the study of the positive contribution which the public, capital, and labor might make towards better industrial relations, a brief preliminary account is given of some outstanding characteristics of these three factors.

**Capital and Labor Are Still Individualistic.**—Many attempts have been made to interpret the after-the-war reactions of the American people as forecasting social and economic changes of great importance and radical in their tendency. Industry has been cited as giving countenance to this. What ground is there for such predictions or hopes? Those who are most closely identified with industry and the wage-earners know well that America's workers generally are still in favor of individualistic effort and individualistic rewards. No per capita dividend of the national wealth under any proposed form of socialization will satisfy the American of this generation, nor will any inhibition of the wage-earner's personal ambitions be tolerated by him. He is by no means ready to adopt the socially desirable, other-regarding ideal which is the postulate of the prophets of moral reform. This does not imply that the worker is by any means satisfied with present conditions. It means that he is not yet altruistic enough to be motivated as some insist that we should all be. Neither does he possess any social theory that places him definitely. Ours is, above everything else, the land of healthy discontent with things

as they are, and this is a natural accompaniment of a genuine democratic outlook. What we need to do is to get rid of our unhealthy discontent which has no single origin. As we have indicated, selfishness, extravagance, ignorance, suspicion, untruth, and abuse on both sides all play a part in "industrial unrest" of the undesirable kind.

These are not the particular shortcomings of the employer only, or of the worker solely. It has been found that the public itself, for whose service industry primarily exists, is capable of acting unwisely in the after-the-war situation and is often unwilling to impose judicious restraints upon its desires; restraints which would do much to solve our immediate problems of subsistence.

**Unrest Natural in the Circumstances.**—In the task of improving the relations of capital and labor, as we have seen, we must frankly face not only what men ought to believe but also what they do believe, and why they so believe. We must recognize that the war did not originate, it simply intensified, the curiosity of all men about the new forms of industrial and commercial activity. These have forced many minds to grope toward new conceptions of man's possibilities and new ways of meeting both old and modern problems. Undesirable mental traits have hindered progress. In the multitude of counsel there should be some wisdom but, actually, there is considerable confusion. Undisciplined thought is at the bottom of much blatant radicalism, and inability to think straight is a common experience today, even in conservative circles. Minds for which the press has ransacked the world for news are found to be losing the power and even the desire to concentrate on essentials and the ability to arrive at sane conclusions.

Many people today pay little regard to cause and effect in personal, social, and industrial relations. Large numbers of people never reason except to justify something they have done or are about to do. They are always hunting for

"alibis." Few of them think straight or are honest enough to refuse to think to incompetent conclusions, and to turn intelligently to the expert who has the correct answer.

**Caution and Tolerance Needed.** — There are not a few people with genuine social grievances who are unable to produce adequate social remedies, but who in their dilemma claim that any change would be for the better. The future of the country happily is in the hands of its most intelligent people as it has been since the formation of the republic. They, of course, can steer the ship of state wisely or surrender the vessel to mutineers. Will they do the latter? We believe not. We should hear more about schemes of reform, not less. They should be brought into the light and the truth, the whole truth, and nothing but the truth revealed about them. If reasoned accurately upon, a wise decision will be reached. Yet we should always maintain a large tolerance for difference of opinion which is honest enough to rely upon logic and not upon force or any form of intimidation.

**What About the Public?** — Left to themselves capital and labor might settle their differences by understanding, by compromise, or by force; either actual force or the massed strength of organization. They might do so through collective bargaining and co-operative management in industry universally organized into employers' associations and trade or industrial unions, but it is by no means certain that any of the early or present forms of these will survive. Evolution cannot be restrained in social process. It is commonly said that there are three parties to every industrial dispute or arrangement. The third party is that somewhat elusive factor we call the public. The public is demanding and sometimes assuming the rôle of arbiter. Its success in this rôle will depend upon its knowledge, its sympathy, and its disinterestedness. It will depend specifically upon whether it understands the ethics and the meaning of labor's present attitude and of capital's increasing sense of responsibility.



Unfortunately there are certain outstanding characteristics of the economics and the psychology of the public which compel us not to expect from it too much in the way of sympathetic, tolerant, rational understanding of the industrial situation. The public is not a separate entity. It consists of people affiliated more or less directly with capital or with labor. It is composed preponderantly of emotional and dogmatic minds. It speaks and feels in no higher tone of detached judicial impartiality. It has its own special interests—the desire of the consumer for bargains. It has to eat and travel, and be comfortably warm. Ordinarily it does not stop to ask whether it pays for its food and coal and shelter and other necessities what those commodities really cost. A large part of the public does not know how the other part lives, and for the most part it does not much care, so long as the supply of goods and services continues to flow in smoothly. If capital or labor, or both, disturb that flow from however great provocation, the public grows petulant. Moreover, even were it devoid of special interests of its own, it is still a creature of ignorance and half-knowledge. It has no superior access to the facts upon which alone fair verdicts and constructive programs can be based. As to the essential facts of the industrial situation a very large part of the public is ignorant; a considerable portion of it does not want the facts, and most of it is at the mercy of the press. Yet after all is said, it may be confidently asserted that there is a virile self-respect and democracy in the public, and intervention by that interest from time to time has been compelled when the breakdown of industrial relations has caused or has threatened general hardship.

**The Public, Capital, and Labor: Can They Co-operate?—**Some of the proposals and not a little of the conduct and legislation emanating from these three factors in industry would lead an innocent bystander to suppose that their policy was to combine in twos against the third party by turns.

Capital and labor against the public in single industries and groups of industries have unblushingly performed. Capital and the public against labor, and labor and the public against capital have also been exhibited, sometimes justifiably and sometimes not.

Naturally we inquire, do education, the facts, understanding, and analysis of the objectives of these three parties indicate nothing in common, no constant mutual interest? When the results are set down in order we find a striking similarity; a similarity which can only fail to produce co-operation, when the parties insist on pursuing a purely selfish course. *There lies the root of the whole matter.* Nevertheless, we are not pleading for an easy generosity, as some do; or for the careless optimism that others indulge in; or for a reckless disregard of scientific principles and the facts of business life.

We place here alongside of each other for comparison our previous analyses of what the public, capital, and labor want. We assume only a decent regard for the opinion and interests of our fellowmen, using all the resources outlined in this study. When this is done, it does appear possible to obtain social efficiency without resorting to benevolent tyranny on the one hand, or bureaucratic inefficiency on the other.

*The Public* desires five things in industry:

1. Stability
2. Adequate goods and services
3. Competent leadership
4. Some control in emergencies
5. Progress.

*Capital*, as we have seen in Chapter VIII, desires the same five things in terms of:

1. Security of investment
2. Adequate production
3. Good management
4. Sufficient control of conditions affecting the risk
5. Expansion.

*Labor's* desires, expressed in terms of "What the Workman Wants," have been discussed in Chapter V. They are very similar to the above, and obviously can only be obtained if the results desired by the public and capital are forthcoming:

1. Steady job.
2. Adequate real wages
3. A good foreman
4. Individual and collective voice about conditions
5. A chance to rise.

If co-operation is possible, is the attainment of it probable? We believe that a large measure of benefit to the public and capital will accrue through seeing that the worker obtains, in a satisfactory measure, the five things just mentioned, and that he does so through democratic processes. We do not believe that these ends are inconsistent with those of the public and of capital, for the latter at its best is just enlightened management, and with its industrial engineers it must answer satisfactorily this question — "How are the masses of men and women — both without and with capital, to be taught to labor with their hands and brains willingly and efficiently so as to secure out of the products of their toil and thought what they feel to be, and what will be in fact, a fair return?"

Adequate incentive in professional opportunity and salary, and sometimes a possibility of a share in profit, must be forthcoming to secure the full services of the best ability both of direction and technique. Assumptions that the wheels of industrial direction can revolve solely under altruistic and other-regarding motives are vain. Such reformers should concentrate first of all upon human nature.

In the case of the wage-earner, to remove the nightmare of unemployment from the workman's pillow; to carry any necessary surplus of labor of an industry at that industry's expense; to pay the highest possible wages; to improve the

economic machine to that end; to lead, not drive men by adequately trained and sympathetic executives who will command their respect and esteem; to provide for self-expression on all of the worker's interests and to keep the way open for his education and advancement and responsible participation; are measures both just and necessary and should be the basis of all industrial relations in co-operative industry. How these may be obtained practically and in detail is the main topic of the remainder of this study which is especially addressed to those who at present control in industry what shall be done, how it shall be done, when it shall be done, and by whom it shall be done.

**Public Control in Emergencies.**—To what extent are State and Federal Governments necessarily involved in ordinary industrial relations under the system of capitalism? Not at all directly, except in their general statutory provisions in the interests of labor, health, safety, and environment at the work place. It will be shown that enlightened employers are not only observing these but often exceeding them both in spirit and in deed. Some claim that every industrial dispute is affected with a public interest and urge legislation prescribing compulsory arbitration. In the United States, however, there is a rising tide of opinion against compulsory arbitration as an inevitable resort for labor differences and in this attitude capital, labor, and the public are fully represented.

A survey of what has been expected in other countries from compulsory arbitration, and of what it has accomplished—and also failed to accomplish—in industry leads to the belief that it does not effectively serve the interests of society or of the parties at issue. Intervention by the Federal Government or the State in a real public emergency such as national transportation or fuel supply is another matter, but it should not become so frequent in industry at large as to constitute the rule rather than the exception. When this

is the case all the ordinary business means calculated to bring about a direct settlement between the disputants are weakened, Australia being a notable instance. In such circumstances they are sometimes evaded by labor and its professed friends and regarded as of no consequence when compared with the more favorable settlement that might be obtained under the stress of political pressure.

**Industrial Courts in Ordinary Industry.** — The tendency to rely upon the Government and law to secure for individuals and groups by judicial or semi-judicial procedure a bigger share of this world's goods than economic considerations and their deserts would justify has caused the public, capital, and labor alike to fight shy of the dilatory procedure of such tribunals whose ultimate decisions are apt to be out of keeping with the necessities and merits of the case, whose machinery is cumbersome and is not readily adaptable to the needs of industry densely congregated in our industrial districts.

The Kansas experiment which keeps an Industrial Court busy in a non-industrial state reporting only 61,000 wage-earners in plants in the 1919 census and still less from public utility and mining occupations, is no criterion whatever as to what would happen in characteristic industrial states — say New York with its million and a quarter plant workers alone, or Ohio, Pennsylvania, or Illinois — if on sufficient organized provocation every labor dispute could be made a matter of judicial intervention and adjudication, not simply adjustment or arbitration, be it noted.

Interminable delays of numerous, meddlesome, expensive, and conflicting tribunals, with no experience in industry or of economic principles, would be likely to slow up industry to an intolerable extent and cause dissatisfaction with decisions the finality of which could probably not be questioned.

Labor and capital, however, are in a fair way to reduce their calls for umpires to a minimum, and a triangle formed by labor, capital, and a bench of judges as a matter of course

upon all or most disputes does not present an attractive prospect to the American people, though it seems to intrigue not a few sociologists and publicists. A quick, intelligent decision is what the public, labor, and management need and desire. Speed is of the essence of this service to industry and it is likeliest to come out of conferences where knowledge of the facts and of each other is already considerable.

That place should be, we believe, first in the plant itself, second in the district, and sometimes in the industry as a whole. It should only become an affair of the State where unadjusted economic friction is on such a scale as generally and seriously to affect the public interest.

It is increasingly recognized that public opinion is a more powerful factor in promoting harmony between capital and labor than any statutes or judicial bodies which may be set up. If the co-operative spirit and practices we are about to describe are embodied in the industrial relations of individual plants and industries, there should be but occasional need for the intervention of the public, or of the State with compulsory powers; although an authoritative statement of the facts of any unsettled dispute by competent and impartial investigators in the public interest will be likely to command increasing respect. If such investigation, however, is partisan and, particularly, politically partisan as it sometimes is, it will command no confidence and it will deserve none.

**Judicial Arbitration in Australia.**—Much has been published and a good deal assumed regarding the satisfactory character of the methods which have been developed during the years of compulsory judicial arbitration of wage and other labor issues in Australia. Some American writers appear to think that by imitating its form in one state of the union and adding adjudication to its powers we have adopted the principle, and they urge us to copy the Australian practice everywhere by setting up permanent machinery for such public service.

Australia it is true has developed the consistent use in its Industrial Courts of one set of wage principles and has evolved a body of doctrines out of much experience and experiment that commands the admiration of some labor umpires, but *it has failed to satisfy its litigants*, namely labor, capital, and the public.

"The tree is known by its fruit." What are the fruits of Australian labor policy and arbitration practice? "Apples of discord" and "vanity and vexation of spirit." Five million people there inhabit a great continent, only slightly smaller than the United States. Two million of its inhabitants are in the cities of Sydney and Melbourne alone — and allowing for the smaller cities the immense rural region is relatively empty. In Australia labor controls the legislatures and taxes capital, industry and farming heavily. The regimenting and hounding of labor and capital in Australia into narrow legalistic alleyways of conduct is taking the heart out of the people.

It has already reduced greatly the national asset of goodwill and it has checked that variable fund, the National Income — "all-there-is" — from which alone reward is drawn.

Australia's five millions of population are facing a National Debt of two billion dollars and are realizing the serious economic consequences of too strictly limiting immigration in deference to the "labor" vote. Compulsory arbitration there has sometimes made generous awards to labor from funds which did not exist and which labor is not inclined to assist in creating. These consequences have bred deep animosities and reckless schemes for the redistribution of the wealth in sight which is inadequate to meet the claims upon it.

At the recent National Industrial Conference at Sydney, Premier Hughes attempted to pour oil on the troubled industrial waters and failed. The "Sydney Herald" of March 3, 1922, quotes Premier Hughes's opening speech of March 2 at the Conference of Australian Industries. He said in

it, after drawing a dark picture of the condition of industrial relations there, of the bitter spirit of Australian labor and the hopeless feeling of employers facing an unreasonable and inefficient labor monopoly; "The very general opinion is that the Arbitration Court has not effected the purpose for which it was understood to be designed."

The Employers' resolution about the compulsory state arbitration machinery, concurred in by labor, was as follows:

"We believe that in the settlement of industrial conditions much time and expense will be saved if the present State industrial machinery with its legal formalities and red-tape and delays is substituted by tribunals attached to each industry comprised of an equal number of employers and employes."

**The American Solution.** — The trend in America, as has been indicated, is to omit Australia's experience from our industrial history. Many American employers have already taken the step to which Australia is being driven by judicial awards, which, though consistent in themselves, merely reveal the inefficiency and low productiveness of her labor when fed with anticipations which have no substance.

Leaving out of account the relatively few important industrial differences really affected with a public interest and rightly receiving special treatment, there appear to be three main courses open in labor issues not tied up initially to negotiation with union officers external to the plant.

It is always difficult for the public and even the press to realize how relatively little of the industrial effort of the nation is so tied up; with the result that the "news" of the day is, perhaps unavoidably, out of proportion; the impressive silence of the great majority of labor at times of sectional stress not being regarded as "news" worth recording.

The first course which can and should be followed is the most recent, namely; genuine "home-rule" within each plant through effective Employes' Representation which is always functioning, which is not brought into existence or into ac-



tion *merely when a crisis arises* but which is constantly presenting effective education on the facts and possibilities of the business through which owners, management, and employes jointly earn a living. The second course is voluntary agreement to arbitrate—unjudicially wherever possible—on labor issues which do not yield to the first course after a fair trial, or for the adjustment of which no voluntary democratic provision has been made in the plant.

The third and ultimate course is to fight out a difference to a finish where the facts are not in question but where there is strong disagreement about the course to be followed. It does no harm sometimes to have a show of strength on a vital issue, but most economic friction is unnecessary. Experience indicates that even where an issue is tied up to ultimate negotiation with a given union or unions, an industrial issue gains much in clarity and loses much of its heat through being subject first of all to the keen scrutiny of employes themselves in common or representative council at the plant immediately concerned.

Public opinion is of course the great informal arbiter now between capital and labor and the side which fails to get or to maintain public sympathy has already lost its cause.

America is hoping that industry will organize itself under the friendly and mutual leadership of capital and labor to make collective adjustments on labor issues—not necessarily collective bargains—first of all right in the plant where the issues arise. It is desirable to hold out no external court of second instance where a better deal may be possible from “friends of labor” or “friends of capital” according to the state of the political barometer. The nation unmistakably wants less government in business or for that matter in labor, not more—provided of course the continued operation of the few important types of service affected with a general public interest is ensured by statutory provision.

**Experience in War Industry.**— War experience of semi-judicial arbitration powers over labor disputes in the United States was barren of constructive results and lends no countenance to the idea that such will function satisfactorily in normal times. It was negative and saddening and has been repeated in nearly every Federal intervention in the public interest since. It has been described by an intimate participant in these words:

“Too often in the past arbitration has followed the line of least resistance. With much unction the lion’s share has been awarded to the lion. Decisions proposing another settlement were speedily forgotten because not enforced. Those submitting to arbitration frequently did so with the mental reservation that the decision to be acceptable must at least approximate the conditions they felt they would be able to establish by a show of strength.”<sup>1</sup>

From this position to one of complacent acceptance of arbitrary decisions, applied not to an isolated group but seeking to comprehend all labor, or a given class of labor, is a long step for both employes and employers.

It is indeed, and a very questionable step for ordinary industry about issues arising out of “the day’s work” in a particular plant.

We shall do well if in every issue not settled in the ordinary course of business, we confine our efforts to effecting joint-conferences between the representatives of ownership and labor and to attaining a true representation of *all* of the workers affected in any plant or related plants. Out of such mutual organization it is found that agreements are possible; and out of these agreements, by no forced process or imposed decrees, there will grow up a general practice fairly satisfactory to all. Such practice will not be far out of accord with current economic trends and it should not attempt — as so many arbitrators have unwisely done — to anticipate *what*

<sup>1</sup> “Monthly Review” of U. S. Department of Labor, Sept. 1918, p. 19.

*that trend will be* or to prescribe in accordance with their hopes ~~what~~ it ought to be. That is the futile boosting process, referred to by some labor leaders as "all the traffic will bear and then a little more"; which has repeatedly left "labor" high and dry on the barren isle of discontent when the tides of prosperity have receded.

It is the natural and unfavorable reaction to "Thou Shalt Not," which lies at the bottom of the distrust by labor and capital alike of all forms of compulsion on labor issues of a civil character whether these forms be statutory or the arbitrary exercise of power by those able temporarily to secure it by consent, or by others who merely assume power.

It is this psychology also which helps to explain the inadequate and impermanent results of State or Federal machinery which makes indecent haste to take command of an ordinary industrial difference before the parties in threatened conflict have had a reasonable opportunity to cool off, to analyze the situation and to get together.

**Intervention in the Public Interest.** — So far we have discussed the undesirability from various points of view of compulsory judicial or arbitral procedure in the labor differences which arise in privately operated plants not affected with a general public interest. Public utilities of great geographical extent, such as railroads, and basic national industrial operations, such as coal mines, are in another category in which public intervention in duly organized form to avoid cessation of work is absolutely necessary.

The concurrent strikes in 1922 in these two basic industries which are at all times affected with a great public interest have brought to the front for definite settlement an issue which has been pending for some time, namely: Is "labor" "in its peculiar position," as Mr. Gompers phrases it, entitled to "special privileges" in public industries and *at the same time to all the freedom* which it rightly has in private industries? Must a decision by a Federal Authority to which

labor has submitted by voluntarily accepting employment which is under its jurisdiction "please labor" in order to be accepted and obeyed? The answer to that question by the American people is in no doubt.

**The Right to Strike.**—The right to quit work is questioned by no one in our day. The President has gone on record that the American Government will compel no man to work against his will nor allow him to be intimidated from working. Recent activities of organized coal-miners and railroad shopmen went far beyond the peaceful abandonment of their jobs in order to better themselves elsewhere. Their actions and language showed unmistakably that they were deliberately engaged in an organized effort to prevent the public from having coal or transportation except upon the conditions laid down by them. Conspiracies of this kind against the public are not privileged except as state police authorities by delayed action or legislative bodies by class legislation make them so.

**Might Versus Right.**—There is no difference, in spirit, between the coercion of a strike which involves the welfare of a whole community or country and the coercion of war. It is idle to expect to abolish war so long as the passions that make war are given free sway in every dispute. The way to end war is by educating the people to the orderly settlement of all disputes. Is official labor to be less honorable in discharging its obligations to the law of the land than its individual members are found to be to the voluntarily assumed obligations of employes' representation or to union agreements not on a federated scale? Are the "big chiefs" so secure in "might" not "right" as to be subject to no law except their own will?

One of the main qualifications for membership in a self-governing community is the ability to distinguish between the matters of primary importance and those of lesser importance and *the practical sense not to sacrifice the former*

*to the latter.* The matter of primary importance to society is order, government — a system by which the common will may be expressed in law and *made to rule the land*. If there are no means for doing this, the basis for revolution exists, but under a government in which the people rule, the matter of first importance is *that the government shall be sustained*.

**Umpires Must Be Obeyed.** — It is a condition of every game in which rivals contend that there shall be rules and authority to enforce them and decide every question that arises. Abolish the umpire and the rules, and the game disappears. If people care for the game they must support the authority that maintains it.

There is no place where the primitive impulse to rebel against authority is more often manifested than on the ball field, but everybody agrees that the umpire must be retained. He may be called to account, and if criticism is sustained by the final authority he may be displaced, but while he is in authority he must be obeyed for the sake of the game.

The investor in railroad property has notice that railroad charges are regulated by public authority, that in case of a controversy wages are regulated by public authority, and that in any public emergency the public interests are paramount. Within recent months the Interstate Commerce Commission has issued an order reducing railroad charges and it has gone into effect. The question to be permanently settled is whether the labor organizations that have hitherto entrenched themselves in the mines and railroad shops may by virtue of possession dictate the terms upon which the public may have coal and transportation.

If they or any similar bodies are strong enough to deny service and prevent any effective substitution and their right to do as they please with these essential industries is unchallenged, the American people are in their power. The difference between this and Sovietism is invisible from the standpoint of the public.

**CHAPTER X**  
**ORGANIZING PRODUCTION**

In three ways we learn wisdom; by Thinking, by Imitation, and by Experience. Thinking is the finest way; Imitation the easiest way, and Experience the most difficult way.

TOLSTOI

## CHAPTER X

### ORGANIZING PRODUCTION

**The Instruments of Capital.** — As we have seen, to make goods plentiful and men dear is calculated to satisfy the desires of the public, capital, and labor. In setting forth in some detail how capital and labor can best co-operate to this end in the plant, the consideration in practical detail of what capital should provide for this purpose is first in order. Adequate production under capitalism involves suitable means, material, and men, in well-balanced co-ordination with skilful direction, and operating under the conditions and incentives which secure a happy response from all concerned in the endeavor.

It is needless to say that in our day the more modern the character of the physical factors—buildings, machinery, equipment, and railroad and other transportation service, the greater the likelihood of the success of the business. That is, the kind of plant and environment that people have to work and live in is almost as important as the kind of people who come to work. We stress here, however, those factors whose qualities directly and personally affect the wage-earner.

Workers are quick to sense the absence or existence of brainy, helpful provisions in equipment, system, and management for making the day's work expeditious, fruitful, and less fatiguing. Scientific management which rightly contends for *the better way of doing everything* in industry, ignored at first the psychology of the worker—the tremendous potency of a "state of mind." Scientific managers know better now, and while abating none of their competence and zeal in the



application of the scientific method to the material processes and to the systems of industry, they have learned that a mistake was made in their comparative neglect of the emotions and prejudices of the wage-earners who must in the end "deliver the goods." These folks and their feelings are also important facts in the premises, and they do not yield to formulas or to any plans, however clever, which regard them as means rather than ends.

**The Key Position of the Foreman.** — Assuming the existence of a good plant; the assistance of good planning for production, job-analysis, time-study, and all research essential to discovering the best about what can be done, where it can be done, how it can be done and by whom, we may ask what more in the premises capital can do about organizing production amongst the human factors.

The answer is, that the moral, mental, and technical abilities of the non-commissioned officers of industry — the foremen, the men in front, the men next to the men who "deliver the goods," should receive especial attention. In fact, too much emphasis can hardly be laid upon the necessity for raising the quality and performance of all industrial supervision. Capitalism, however enlightened and progressive in intention and policy, must multiply itself through its minor executives who make the actual contacts with the employes. There is no other way and no short cut even by this way.

Of a little over 9,000,000 people gainfully employed in manufacturing plants and nearly 4,000,000 gainfully employed in construction and the hand trades, somewhat less than 10% are owners and executives occupying various positions of trust and authority over the workers — managers, superintendents, general foremen, foremen, assistant foremen, inspectors, and clerical supervisors.

That is to say, our 290,105 manufacturing establishments are run by between 800,000 and 900,000 major and minor

executives and supervisors from about 25 to 65 years of age, but chiefly consisting of foremen of relatively small groups of wage-earners who have it in their power — other things being equal — to make these groups happy and responsive or unhappy and grudging, according to their ability and desire and that of the owners to handle the human factors wisely and well.

Usually with fair technical competence, though often none too much, foremen — so far as being selected for executive ability is concerned — frequently “just happen,” and when the date of the accession of the weaker ones to such a position is somewhat ancient and nothing has been done meantime to qualify them psychologically and in a humanitarian way for the job, the employer has wished upon himself, usually permanently, that incubus of the modern plant, namely, the “hard-boiled” executive. He is not always a foreman. The higher up he is the more harm he can do and the harder he is to reform. A few basic industries are still controlled by this type of mind. Too great stress cannot be laid upon the selection of executives, and upon true measurement of their qualities and reasonable measures for developing their abilities. In the writer’s belief this is much neglected in the case of the immediate supervisors of the workmen.

Some foremen of course are only sojourners in that position. They are the bright young men getting experience “on their way up.” They possess higher qualifications and more natural ability than the lower job demands or can utilize. The great bulk of the foremen, however, are there to stay, and, however obtained, capital and management must see that they are made as competent as possible in handling men as well as in making things.

This being so, the natural question is, “What can be done about it?” and the answer is: “Much in several ways which will tend to improve the relations of capital and labor.” No investment which capital can make for this purpose ex-

ceeds in returns the systematic development of its non-commissioned officers, its foremen — the men in front. Only by multiplying itself through competent minor executives can capital and its management fulfil its duty to the wage-earner. There are three principal ways of developing the foreman otherwise than as a technician:—

1. Foremen training for production with stress upon handling the human factors.
2. Foremen training as interpreters of capital's industrial relations policy;
3. Foremen training as management representatives in councils.

Some further suggestions are made here on improving the function of foremanship in industry by educational means and doing it strictly as a matter of good business. The foreman's place in the organized services to the personnel and as a management representative are developed in the chapters immediately following.

**Training Foremen.** — (1) The stock objection from unenterprising and easily discouraged management is, "Our foremen won't study," and it must be realized at the outset that the average foreman will not exert himself to find subjects for study, nor will he study anything and everything that a beneficent management puts before him. The foregoing statement is subject to exceptions, of course. There are some rare fellows who haunt night schools, enroll in correspondence courses, read the new books on management, or seek industrial education in other directions. But these do not represent the average foreman, who is generally pretty well satisfied with his qualifications, does not hanker for any more education, and considers that he has done all that the company has any right to expect of him when he has spent his eight or nine hours a day on the job.

It is necessary, therefore, to recognize two important con-

ditions to securing the foremen's enthusiastic interest in a study program. The men will respond:

If the right kind of opportunity and material for study are provided, and

If the program is presented to them in the right way.

In other words, stabilized foremen as a rule will not seek training. In the average plant they will give little thought of their own accord to any educational opportunity, no matter how practical and interesting it may be. If they are left to their own initiative, it doesn't interest them. The management must do the seeking for them, and must then exercise its natural faculty of leadership to bring the foremen to accept an appropriate training program.

Also, foremen will not study a thing simply because it is labelled "foremanship training," "executive training," "shop technique," "industrial economics," or something else supposed to tie up to their work. Sometimes they can be brought to begin a course simply through the urging of the management; but that does not guarantee they will keep it up, follow it through and really study it, and without that fruitful sequel much is lost.

The average permanent foreman cannot be tackled from the angle of the industrial engineer or of the pedantic educator or of the vocational teacher rightly provided for the novices in a business. If that is the program, the stock objection is right; the foreman won't study. Nevertheless we must to a large extent improve the relations of capital and labor *through the foremen we now have*, and lean but lightly upon the supply of college-trained intelligence which is lacking in practical perspective and most of which is not going to "stay put" anyway.

(2) The prime object of any plan of foremen development is to give such pivot men the "organization" viewpoint, a broader conception of their work, a stimulus to improved

effort, and to lead them to do some actual studying of the management principles that must be understood and practised. The question is, how best to accomplish this object.

Leaving out of account the purely superficial efforts of some companies that delude themselves with the notion they are training their foremen by holding occasional foremen's meetings or plant gatherings of purely social import, there are three main plans from which the average concern may make a choice.

The first may be roughly called the straight "Lecture Plan," and consists of a series of lectures by university professors, industrial engineers, inspirational speakers or plant executives. Usually the talks are mimeographed and distributed among the members of the class afterwards. As nearly as can be calculated, about 2,900 of the foremen in American industries or one third of one per cent of the total have received intermittent instruction under this method, which in its successive contacts through unco-ordinated lectures does not cut very deeply into the foremen's minds and therefore does not accomplish much.

The second plan is to have a well-qualified executive or trained leader conduct a series of Conference Discussions at which various phases of plant management are thrashed out by the "case method." Perhaps as many as 3,100 foremen have been coached in this way, in small groups. The system has been fairly successful in a few plants, depending upon the ability of the foremen to discuss plant problems intelligently, and upon the ability of the man in charge to draw out the men's thoughts and make the sessions continuously interesting. The "conference" method is a good follow-up to a prior well-conducted study course which has aroused general interest but, when undertaken without sufficient apperception, or related ideas in the minds of the participants, it is not resultful.

The third method in general use is the "Standard Group

Study Course" which is frankly preliminary, but thorough, nevertheless. It aims to engage the entire supervisory force in a fairly intensive study of production fundamentals and prepares these key men to get the maximum good out of future continuation conferences. It is designed to unify the ideas of the organization on sound principles of foremanship and of employe contacts; to arouse the men's enthusiasm for the study of production problems and to plant in their minds certain essential broad knowledge on which to base more specialized study. It is a method that has had far wider adoption than the other plans; probably more than ten times as many foremen have been trained under it as under either of the others and much valuable experience has been derived. The chief aim of the standard method is to "put over" a study program with men *who would not normally seek self-improvement*. If well organized and conducted by people who know their business—usually outside specialists—the plan rarely fails to accomplish its aim and to lay a solid foundation for continuation work by foremen on their own initiative. The latter should be a permanent feature and managements should see that the opportunity for it created by a successful preliminary course is not frittered away by a letting down of interest on the part of the employer himself, and by a cheese-paring policy regarding the relatively small expenditures when business fluctuates. Such training is not a "frill," it is the best of "good business." In not a few cases wage-earners have applied for permission to attend such classes, which are usually held immediately after the close of the day's work in order that they may not encroach appreciably on the leisure of the members. In the case of the many small plants it has been found possible to form resident groups of foremen drawn from a number of such establishments in the same neighborhood.

In the educational work advocated here for foremen and for all workmen desiring to participate, we are dealing with

men of long practical experience who have views, convictions, and prejudices which cannot be modified or corrected by answers in the scholastic manner even though based upon science. The writer in this connection has made considerable use of the economic parable and sometimes of the economic paradox both in picture and text form.

The answering of the expressed doubts of foremen and employes about business phenomena affecting their interests or which puzzle them is well worth the attention and ingenuity of executive brains. Some 3,800 questions were answered in the Swift Open-Forum in their Foremen's Classes for the season 1920-21 alone, distributed over plants in fifteen states and in Canada.

When in 1920 the obvious slackening of application in all lines of endeavor coincided with extravagant habits induced by war time wages, the obvious scarcity of goods and increasing prices produced from every gainfully employed person the complaint, "Who Put the Cost of Living into 'High'?" itself a testimony to the motor habits of many of the afflicted.

In reply the writer used in all Swift and Company's packing plants — ranging from 300 to 7,000 employes — and in its printed publicity at plants, the parable of "The Ten Stages" with good effect and devised numerous others. The parable is reproduced below. All such answers were displayed in large blue-print form, 5 feet by 7 feet in size, at places where crowds of employes could and did study it at the noon hour with interest, edification, and discussion.

We have already a considerable literature, chiefly from professional economists and sociologists, describing and generalizing upon industrial phenomena from the outside, which though useful in the college class room has little relativity to "the day's work" — the problem awaiting the graduate and future labor administrator. The "why" of industrial relations is rarely accompanied by a "how" of conviction which

takes account of the greatly varying intelligences which must be successfully appealed to in a quite different vocabulary. Time, place, and manner have much to do with success in industrial education of supervisors and workmen, and too little of the attention of the well-educated higher executives in industry has in the past been given to such important details. It is not a task which should be "wished" upon "the employment man" or "the safety man" or any other minor deputy, if the employer is in earnest and wants "results."

SWIFT AND COMPANY  
Chicago, U. S. A.

QUESTION 26 : *"Who Put the Cost of Living Into 'High'?"*

ANSWER: *Movie of 100 MEN Doing It.*

### THE TEN STAGES

1. 100 men live on an island; 25 fish;  
25 clean fish;  
25 cook fish;  
25 hunt fruit.
2. Everybody working; plenty; everybody happy.
3. 10 fishers stop work.  
10 more dry and hide part of their catch and quit.  
5 continue fishing on shorter hours.  
Fewer fish in the kitchen.
4. 100 men yell for fish.  
50 cleaners and cooks yell for work.  
25 hunters demand bigger share of the few fish.
5. 100 men insist upon "the right to eat."  
25 hunters insist upon "the right to strike," and  
20 strike.
6. Food supply shrinks daily; the man with 2 fish demands  
3 bananas for each fish.



7. Man with 2 bananas demands 3 fish for each banana.  
The 10 men at work quit in disgust.
8. Everybody keeps on eating; the hidden fish are discovered and consumed.
9. No food; everybody blaming everybody else.  
What are you going to do about it?
10. Why not try *Work*? You can't eat, buy, sell, steal, give away, hoard, wear or gamble with WHAT ISN'T!

Altogether the important educational work briefly outlined here for providing "a good foreman" for the wage-earner out of the 800,000 supervisors in industry without taxing higher executives having no natural ability to instruct, has resulted in increasing the *esprit de corps* of the foremen and the morale of the whole body of the wage-earners affected by it. The movement, however, has just begun, and while big business has played a leading part in it, there is still a large field to be covered both there and in the very numerous minor establishments. At the present time its spread depends upon numerous owners and managements getting rid of the idea that it is merely a "frill" — possible in good times but not justifiable at present. It is really a most profitable kind of "business" at all times, and capitalism needs to wake up to the value of an opportunity which it is denying to its executives or which complacent managements representing it are deliberately neglecting.

**Production Incentives.** — When the foremen of the plant have responded to teaching about modern production methods and on the psychology of the worker, and have responded sympathetically to a presentation of the hopes and fears of the wage-earner, they are only then in a position to influence greatly the introduction of various incentives, financial and non-financial, supplementing the wage payment. The latter are rarely successful, notwithstanding the employer's entire sincerity, where full confidence in the supervisors by the workers has not been established.

Out of the recognition that men render their best only when appealed to through their intelligence, feelings, and temperament, as well as through the wage scale, there has sprung the quality bonus, the attendance bonus, and the task bonus with its various differentials. There has also been an increasing use of non-financial incentives where the response is obtained solely through creating more interest in the day's work. It is done by giving information or providing special means — often graphic displays of comparative performances — and by appeals to the pride, ambition, rivalry and other natural instincts of the worker.

In all of these care is now taken in the best types of management to use "job-analysis" and "time-study" as fatigue-eliminating and method-improving instruments and not as pace-making tools as they were at first, to the disappointment of labor.

**Monotonous Tasks.** — Much is made by some sociologists and general critics of industry — too much, we believe — of the stultifying influence of the automatic machine and of the repetitive task involving minute sub-division of labor. It is, indeed, a main factor in all criticism levelled at industrial activity under capitalism. Mr. Arthur Pound in "The Iron Man in Industry" has recently elaborated interestingly upon this theme and has carried a somewhat overworked example derived from one intensive industry through the whole range of social interaction. The analogy is not closely applicable even in much of our industrial effort and Mr. Pound generalizes to a degree hardly warranted by his premises. What are the facts?

That young workers may be and often are tempted by attractive rewards to specialize too early and narrowly is true. This will obtain wherever the employer does not make deliberate provision for broader training and does not regulate his employment policy accordingly. Mr. Pound makes an eloquent and convincing plea, however, for a broader edu-

cational chance in school and in industry for the young. While the dew of their youth is upon them our future working forces should have every obstacle placed in the way of their early exploitation by industry, and capital should heartily support all efforts to give them the fullest cultural preparation which they can absorb. They will need it in their leisure and they will be uplifted by it at their work. The latest statistics show that "child labor" is steadily decreasing in formal industry and that it is most prevalent on the farm and in home industries. These are the occupations which still rob the American child of its educational birth-right.

Technique can wait. But while this restraint is desirable for most adolescents and minors, it does not hold, as a matter of course, for adults. Employers and their supervising representatives cannot ignore *the fact of fixed mental levels* as so many social critics do. The truth is that these levels are amazingly low by inheritance in millions of the people who offer their services to industry. It is found that suitable education, while it ensures the fullest use of any one degree of intelligence, lends nothing to change the inherent, natural quality of the endowment, and it is this quality which determines the level of the task in which the worker will find most happiness and attain most success.

In the writer's experience the "machine made" opportunities for "killing time" by the wage-earner between supper and slumber, for wasting his greatly increased leisure, surpass in their devastating possibilities and actuality the moral and mental dangers of being an attentive, disciplined valet, under appreciated leadership, for eight hours daily to any "iron man."

Where care is taken to preserve the worker from strain — and engineers are busy at this, and a well-considered appeal is made to the ascertained level of intelligence of an adult worker, it should connect him interestingly and profitably

with the quality as well as the quantity of the product and with efficient maintenance of the tool or equipment.

When this is done the worker who leaves the "iron man" at the signal for stopping is not necessarily the debilitated creature, thirsting for intensive and dangerous satisfactions before midnight, whom some of our sociologists picture.

The writer knows quite a few worthy and contented citizens who serve an "iron man" daily and efficiently with much satisfaction to themselves who could only be induced with difficulty to accept a more onerous and better paid task requiring less constant application.

The fact is that there are a great number of the older workers on naturally lower mental levels who have already manifested their limitations by the deliberate choices they have made and adhered to. They take readily to simple repetitive tasks and are quite contented with them.

There is a tendency perceptible in criticism of our industrial system on the part of both professional and amateur sociologists and social workers, with no practical industrial experience, to interpret it largely through their own reactions as outsiders and mere observers and to ride off on tangents. This disposition to concentrate criticism on single factors of our complex industrialism at the expense of true proportion is perhaps inevitable, and it is for those in responsible control in industry to preserve an open mind — *to learn from every source*, and to restore the proper balance and emphasis themselves. Here again ownership and management have at once an interesting opportunity and a joint obligation to the wage-earner and the public.

**Training Workers.** — One of the noticeable features in the last twenty years has been the gradual falling off in the quality of the technical ability of the workman. Naturally his versatility would decrease in the occupations which are being widely invaded by mechanical devices, but nevertheless the falling off is almost as noticeable in the handicrafts not

yet invaded by the machine and minute subdivision of labor as it is in the plant processes where invention is continually calling for competent attendants of machinery in place of skilled handicraftsmen. Too often the professor of "a trade" today has merely acquired a collection of inefficient habits in which he exhibits little of the former pride of the craftsman, and a perusal of the regulations of many organized crafts will reveal the disabling limitations which jurisdictional jealousies impose upon their members who desire to attain greater versatility and technical competency.

Our poverty in the matter of basic craftsmanship was strikingly revealed during the war period when a great demand suddenly arose for tool makers and other originating mechanical crafts which had become our indispensable first line of defense. The trying experience which the country went through in attempting to spread out too thin the small amount of first-class handicraft skill then existing has not been forgotten, and vocational training both through Federal aid and by private enterprise is taking the place of the hurried and necessarily inefficient war programs for "making tradesmen quick." There is also a change in the selection and placement policies of the best plants from the haphazard methods by which young people "happened into" machine shops and industries in general and "happened out of" the resulting blind-alley jobs. As we have seen, one half of the manufacturing workers, or no less than four and one half million people are to be found in establishments none of which exceed two hundred and fifty workers, and in these much remains to be done by proprietors in the proper selection and stabilizing of labor.

**"Teaching" the Workman His Job.** — Providing for the workman a well-planned task, thoroughly and intelligently communicated, and encouraging him to use his mind and invention upon it, is now a feature in the best plants. No good management regards a workman any longer as a means

rather than an end. This awakened attitude of capital, through its managers, toward preserving and renewing the industrial asset of the nation embodied in its trained craftsmanship, is an increasing feature in "organizing for production" which, if widely spread, would also help in restoring some joy to the job. It will not, however, spread rapidly in some of the organized trades so long as official unionism places as many obstacles as it does at present in the way of the apprenticeship, or any present-day equivalent of that training and discipline, and in the way of interesting workmen individually in putting their personality and ingenuity into their work. Nor will it progress much until the number of employers who expect to utilize the trained worker whom somebody else has created, is considerably reduced.

**Fitting the Young for Life.** — A task which capitalism must face is that of making up for the frequent lack of even elementary social apperception in the young worker when he enters industry. This involves the whole question of what to educate for and when. For cultural values or for technique? For living or for earning? As a matter of fact no such clear line of distinction can be drawn in regard to the "matter" of education. The main business is to see that the faculties of the young are really educated in the process, are actually "drawn out"; and the question of importance is "What matters should the young heading for manual employment have as a common educational inheritance before the all-too-brief days of formal and compulsory schooling are over?"

When we consider that only seven percent of all the children in the United States who enter the public schools graduate from our high schools, we do not wonder at the absence later on in adult workmen of elementary conceptions of "what man is here for" and of "how to make the most of it."

Only thirty-eight percent of the relatively few young persons who do enter our high schools go through to gradua-

tion. Under these circumstances we must, while steadily pressing for a later entrance into industry, concentrate more attention upon the seventh and eighth grades of the grammar school which, for all practical purposes today, are the places where millions of young people — who attain the legal age there for a labor certificate — “finish” their formal education.

Why should all ideas of the economics of our social system escape this great multitude of toilers because they did not or could not enter high school, and even among the latter group be optional or indifferently conveyed? Why is knowledge of the science and art of living deferred so long that it is practically denied to the majority in labor's ranks? Why is the intriguing world of Science not popularized during eight years of school and almost ignored in high school? It need not be the subject of “tests” but a fascinating interlude.<sup>1</sup> Wherever the employer enters into closer relations with his workers and they obtain and try to use effective representation about their employment interests, these educational defects and neglects loom large and the employer realizes that ignorance is always an enemy of progress and that educated intelligence is its ally. Part of the reason is that the public will not yet hire and adequately remunerate teaching talent of the highest type for the elementary schools which are the sole university of 93 percent of the nation's youth.

To meet the more urgent needs of the situation, but by no means all of them, simple non-partisan economic texts suitable for seventh grade pupils have been devised and are about to be introduced into the grammar schools of Chicago. Such teaching and also similar elementary instruction in civics should be the sure heritage of all who can legally go to work and should be followed up in the continuation schools. When this is done some of the educational load now voluntarily assumed by progressive employers will be removed and their

<sup>1</sup> “The Outline of Science,” by J. Arthur Thomson. 1922.

attention can then be concentrated upon creating in employees a fuller appreciation of the problems of industry and in developing in themselves a more adequate realization of the workers' aspirations and difficulties. Capital can also fulfil its duty to the wage-earner by pressing for and liberally subsidizing a steady rise in the abilities and the compensation of our public school teachers.

**Lessons from the Safety Movement.** — Nowhere in the world has the employer combined so effectively with the worker to effect a common purpose through education, organization and joint-conference than in the safety movement in American industry. Among the last of the industrial nations to afford legal protection and compensation for the accident and health risks of industry, the United States failed to attain any marked degree of reduction of accidents as long as it depended wholly upon the interest of insurance companies in the matter and upon statutory pressure from an inadequate number of State Factory Inspectors hampered by political influence.

When capitalism itself took up this function in earnest, and as a matter of business and a moral duty, the aspect of things completely changed. The "Safety Movement" became almost a new evangel, and no concern took earlier or more vigorous or thorough-going steps in this direction than the United States Steel Corporation whose organization for this end is regarded as a model by employers throughout the world.

In the general field of safety promotion the National Safety Council has by its excellent organization and the devotion of the many managers in industry who have formed its directorate, set tens of thousands of foremen and hundreds of thousands of employees working with good-will and success in the interest of safety in our plants and for the protection of life, limb, and health with incalculable benefit to the whole body of the workers and the public.



The best engineering and management services alone, joined with pressure from the state and the most humane intentions, could have effected only a fraction of what has been done voluntarily to reduce the largest element of danger, namely the moral risk. The success of the movement lay chiefly in obtaining the active co-operation of the workmen themselves.

But "we cannot get golden conduct out of leaden instincts." Without enthusiasm, the knowledge, the thought, the wise organization which we need, will go but a little way in influencing the mass of employees. But knowledge touched with emotion is always inventive, ingenious, persistent and victorious.

Work people at large, when their attention is secured and their interest aroused, talk "safety first" on the street, in the cars, in the home and among acquaintances. Then the plant begins to realize the amazing cumulative effect of an "uncommon attention" to a central idea, which was Jonathan Edwards' simple explanation of his revivals. *Attention, Interest, Vision, Action, Repetition, Habit*: these are the psychological order, the progressive steps to industrial safety and to success in the whole social program for health, betterment in industry, and understanding.

The worker, however, does not feel or think in compartments; nor does he need his interest aroused about other conditions of his employment as he did in the case of safety. What he needs is to have his self-expression and self-determination encouraged about these interests just as they were about safety and not only encouraged but satisfied. If employers are sincere, then logic and consistency demand that they do not restrict democratic co-operation and organization by employing interests to single aspects of welfare but that they extend these liberally in the spirit in which they have already attacked the problem of safety.

**CHAPTER XI**  
**ORGANIZING PERSONNEL SERVICES**

Here is the root of our social troubles and here is found the explanation of everything from local labor troubles to Bolshevism.

Intelligence has made the fundamental error of assuming that it alone is sufficient to inspire confidence. A little thought shows that this is a blunder almost worthy to be called stupid. Intelligence can only inspire confidence when it is appreciated.

HERBERT HENRY GODDARD

## CHAPTER XI

### ORGANIZING PERSONNEL SERVICES

As soon as labor is congregated in some volume in a plant, "organizing for production" has to be followed immediately by the organizing of Industrial Relations. These embrace two distinct functions —

- (1) The organizing of various services to the personnel;
- (2) The organizing of the economic relationship of the employer and employee.

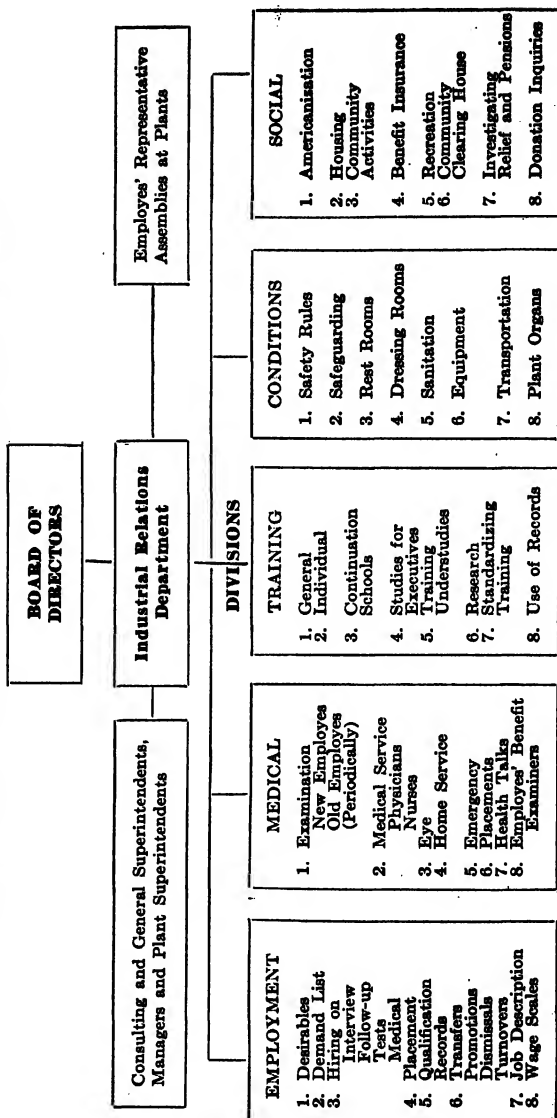
The first comprises all of the services, beginning with selection of labor, hiring and placement, which arise out of the massing of labor, and out of the legal obligations to it, as well as many things which should be provided for labor, just as a matter of good business, to secure and maintain its physical efficiency, comfort, and morale. These are dealt with in this chapter.

The second deals with the necessary machinery through which the purely voluntary economic relations at the plant entered into by labor both individually and collectively with capital, are modified, or are settled when in controversy. This topic occupies the chapter immediately following.

The feelings of the workmen about their treatment in general by overseers and the company enter so much into their minds and motivations that economic relations and decisions about them are rarely unaffected by that state of mind. Consequently, the two functions of industrial relations we have specified can never be wholly separated. Official labor, however, claims that they can and must be separated, and it would like to prescribe and control wholly from outside the plant all economic affairs of the workers in the

TABLE IX  
SWIFT AND COMPANY  
CHICAGO, U. S. A.

ORGANIZATION AND FUNCTIONS OF INDUSTRIAL RELATIONS DEPARTMENT



plant. The labor leader as a rule takes little interest in personnel services, though these often far outrun any legal obligations of the employer. He frequently regards and characterizes the social philosopher and even the social worker in the plant as something of a parasite. In fact, all people who do not soil their hands daily, with the exception of the union leader himself, are regarded with more or less suspicion and as needing justification. It is not so with the workman himself who is most appreciative when he finds a sincere, democratic effort to fit him for a job, preserve him from illness and accident, encourage him in thrift, advance his education when he is desirous, and promote him when possible; provided, of course, that all this is in no way in lieu of adequate compensation.

**Organizing Services to the Personnel.** — In well-organized plants of any considerable size, or for groups of plants under one general management, services to the personnel usually embrace those detailed in Table IX in the five main divisions indicated, viz.; Employment, Medical, Training, Working Conditions, and Social Service. Formerly termed "Welfare" and sometimes used in paternal and patronizing ways, they gave offence to some of the workers, but when regarded by the best employers now as purely good business practices, and accompanied by fair and satisfactory economic dealings with employes, it is found that the latter esteem such privileges highly and willingly function and ably support safety, benefit, and other voluntary organizations for betterment. When such relations are equally supported by enlightened, energized, and sympathetic foremen, educated as has been suggested, there is a fund of good-will on the job which is not easily destroyed. The relations of capital and labor today owe much and will owe more to the wise use of such possibilities.

Federal, State, and Civic laws and ordinances regarding hours, health, safety, accident, compensation, education, etc.,

have built up a body of regulations in the interests of labor and the public, the administration of which is rightly combined with other necessary services and usually in all large plants expert co-ordinators of these services are now employed.

It presents a great educational opportunity which capital, its executives and the employes are appreciating more and more. Even though labor is constantly advised to "beware of the Greeks bearing gifts," no one is keener than the workman to distinguish between the real thing and the pretence of sincerity.

**The Industrial Relations Department — A Good Investment.** — Considering the case for service to the personnel in more detail we find that special administrative responsibilities arising out of the employment relationship and provision for administering these economically and efficiently are no longer a matter of choice for the employer. Federal and State laws, and district and civic ordinances on health, working hours, minors, safety, accident, compensation for injury, and sanitation and education in plants must be complied with and in so doing it has been found possible and profitable to administer the obligatory things along with other steps which are purely optional but which are nevertheless just "good business." None of the optional steps need necessarily include any gift propositions to employes or gratuitous pensions or non-contributory disability aid of any description. The more industrial relations are conducted within a plant on a strictly business basis the more satisfactory as a rule will they prove to employe and employer. What then do we consider "good business" in Industrial Relations practice and why?

**1. Personnel Relations at the Work-Place.** — The things closest to the job which must be attended to, apart from the physical conditions of the plant itself which affect the worker, are Selection, Hiring, Placement, Compensation, Development of employes, and Representation about their interests.

The public we have seen desires stability, adequate goods and services, competent leadership, some control in emergencies, and progress in industry. Management, to secure the continued use of loaned capital, must obtain security for the investment, adequate production, good supervision, sufficient control of conditions affecting the risk, and expansion of the business; while labor rightly feels that it is entitled to a steady job, adequate real wages, a good foreman, individual and collective voice about its conditions, and a chance to rise on its merits.

It has been proved beyond any doubt that to hire and fire indiscriminately, to assume capacity instead of testing for it, and to place people on jobs without close regard to their ascertained abilities, or to underpay or overpay them for their service, are all poor business practice; that it does not pay to conduct business in this way and that the use of a good employment and medical service to fulfil all the statutory obligations and to insure the handling of people as above is a course which pays handsome dividends in goodwill and efficiency.

When, in addition to such entrance and follow-up precautions, employes are given a democratic opportunity to express themselves about their conditions, individually and collectively, the direct personnel side of the employment relation has been fully met.

**2. Medical and Social Service.** — The word "welfare" is not in good repute now in industry because it acquired a paternal significance in the early days due to frequent departure from good business practice, but medical and social activities are well justified in maintaining the employe in good health for his work and in helping out whenever necessary in the improvement of the housing, recreational, and other community activities which frequently languish when the physical means are not at hand or are imperfect. No apology is needed for concentration on working conditions



such as safety rules, safeguarding, dressing rooms, convenient transportation, and good plant equipment. The employer has always, through the manager and foreman, to reckon with the moral risks of congregated labor and it is just good business to see that, without being extravagant in any way, the physical adjuncts are entirely suitable and are maintained in good repair.

**3. Educational Work.** — There are those who are willing to admit the necessity for No. 1 and No. 2 functions of industrial relations but balk at education, at the training function — the most fruitful of all. Those who do this are inconsistent. "There is nothing great in the world but man and there is nothing great in man but mind." If there is anything we have learned in the twentieth century and from the great war it is the fatal effect of allowing the minds of people to drift for lack of education into error and dangerous unrest with all the mechanical and political implements of modern aggression ready at their hands. Native intelligence of greatly varying degree is found amongst the people in industry, but it cannot be utilized to anything like its full possibilities without deliberate and sustained education. This is by no means attained during the formal educational period which ends, as we have seen, for millions of employes with the grammar school. To teach employes the details and the meaning of their jobs, to impart to them a very real sense of the social usefulness of these jobs, to show them the meaning and consequences of the civilization under which they live is just good business and good civics. In addition to win their assent as to the desirability of our social system and to obtain their willing co-operation in making this the best of all possible worlds for all-of-us, is to introduce a moral factor and energizing force into industry, the ultimate effects of which are incalculable.

None of the steps indicated need be carried by the employer beyond straight business relations. Many of them by

reason of the resulting employes' co-operation will assume self-activating and self-determining forms which are for the good of all concerned. They need cost the employer little or nothing; but participation, not cost, is the criterion. The more they are self-activated the better from the educational and social standpoints. This much has been proved to be true, that an employer, sincerely believing in industrial relations and practising them, with the aid of all that science has taught us in the last decade, will be able to build up energized, enlightened, and enthusiastic executives and foremen gathering around them a body of attached and contented employes who will prove a great asset to the concern in the competitive system under which industry is conducted and under which by far the greater part of our population prefers to live.

The opposite has again and again been demonstrated, namely, that mean, short-sighted, self-centered, and petty industrial relations policies have defeated the economic intentions of those who used them, have caused a great deal of unnecessary labor trouble, and have left the organization in a weakened condition from which it has taken years to recover, if at all.

The factors of human progress in all ages have always had three aspects, namely, People, Place, and Work. Progress in industry demands fitter people in body and mind, and improved habits and functions alike in work and leisure, derived from education, improved surroundings and better treatment in the widest sense. Modern industrial relations are nothing more or less than organized common sense directed towards attaining desirable business and social ends. Experience has shown that when they are used as a means to these ends, and not *as an end in themselves*, they are excellent business practices and have a direct and beneficial effect upon the profit and loss of the co-operative endeavor.

**Do Personnel Services Pay?** — Apart from the moral and

mental satisfactions derived from the more humane and considerate handling of labor today, the savings affected by co-ordination in the administration of Industrial Relations are important. In good safety practice, for instance, "lost-time" accidents are greatly reduced and compensation for the same is much smaller. Heavy claims for death and serious injury are avoided and insurance premiums for the risk can be reduced. There is also a distinct effect upon the morale of the employes when they work under the full consciousness that safe practices are encouraged.

Hiring an employe carelessly and "firing" or losing him after breaking him in for three months costs, it is estimated, from \$50 to \$200 per person, and on a heavy labor turnover this is a very large item. While part of the labor leakage is unavoidable due to trade cycles, employe idiosyncracies and special circumstances, there is always a large item of expense due to turnover which good Industrial Relations will tend to reduce.

In medical and social oversight the draft upon a company's funds and upon the employes themselves, due to unsuitable job assignments and undesirable selection of people, is a considerable item which is always open to progressive reduction. In the economic relations with employes regarding wages and hours, and in the reactions with foremen in authority over them, good Industrial Relations practice in other respects tends to create confidence and good-will, and where these exist there will be few occasions when, under a democratic plan of representation, mutually satisfactory agreements cannot be reached.

The testimony of the best plant managers and superintendents is that increase in output per man-hour and in quality of product can be made the willing objective of the ordinary worker if his interests are protected in the way described and his abilities drawn out by education and information suited to his needs. Such a result is *the composite*

*of all that a company means to a workman through its policies and administration and it is obvious that the moral and financial value of this is of moment to the company.*

Where a large concern, for instance, like that illustrated in Table IX, with a hundred or more plants and managements, and several hundred distribution centers in addition, frames its Industrial Relations policies at headquarters, does not allow several hundreds of widely separated managing executives simply to drift into them, and does not permit the execution of these policies to go unchecked by expert observation, it is saved a good deal of worry and expense and many errors of judgment. Experience shows that queer and inconsistent things may and do happen and that actual practice on the say-so of unenlightened executives may be much more expensive — though not always obviously so — when there is no central supervision of Industrial Relations and no independent check upon the many individuals who operate sometimes with and sometimes without good policies.

To have intelligent and competent people supervising, but in small plants not necessarily devoting all or even much of their time to the Industrial Relations of a company, insures that progress in this respect will be continuous and that new policies will be scientifically and practically framed, wisely "sold" to the directors and to the minor executives and supervisors, and intelligently and humanely administered.

Democracy is inevitable. Nothing can stop it. Industry, no less than politics, must yield to its sway. But democracy is not enough. It is only the raw truth and fact about life. It must be enlightened by science and energized by spiritual faith.

These three forces must work together, if we are to escape a conservatism without sympathy, a radicalism without sense, and a future without disaster.

JOSEPH FORT NEWTON

## CHAPTER XII

### ORGANIZING ECONOMIC RELATIONSHIPS

**The Present Labor Situation.** — In Chapters V, VI, and VII it has been shown how labor and capital severally and separately organize their economic relationships, usually on a militant basis. The consequences of such a divorce of interest were also described in the discussion of the "open" and "closed" shop controversy. That controversy, while an outstanding symptom of the failure of capital and labor to "get-together" in their daily relations at the plant, does not stand alone. It obtains in much of the detail of industry and is due partly to the deliberate intention or the neglect or indifference of ownership and management which prefers "to keep labor guessing," and partly to the set policy of official unionism to prevent the attainment of any understanding between the immediate parties concerned, except through its agents. In many cases the organizations to which such agents belong embrace only a mere fraction of the employes whose economic affairs they would like to monopolize. Evidence of much "water" in union membership exists — men being retained upon the rolls who have long ceased to pay dues, whose membership was always of a nominal character, and others were originally enrolled under pressure at a time of "labor trouble." Camouflage is no new device to some of those who make a comfortable living out of industrial strife. Such persisting failure to connect, such deliberate evasion of understanding, needs stubborn parties to effect it and produces people naturally "spoiling for a fight" when a major difference looms up between those who

have little or no confidence in each other. It likewise compels some local labor-leaders who would prefer to negotiate and compromise to the advantage of their supporters to make a fight in order to hold their jobs against unscrupulous rivals and to justify their existence. When a fight is determined upon it is felt that it must be a hot one in which truth and fairness are often unknown or unrecognizable. Recently official labor has been extraordinarily careless in calling strikes on state and national scales and unusually successful in losing them. Some of these were absolutely hopeless from the beginning and their evil consequences spread to many innocent bystanders.

Combined as the policy of militant labor leaders sometimes is with deliberate anti-social designs, there seems to be no early prospect that capital—even the most liberal and forward-looking—will come to terms with organized minorities of labor which are largely irresponsible in crises. A constructive view of capital's duty in the premises therefore is called for.

**The Extent of Unionism.**—The following figures give the union membership reported in 1922 for Great Britain and Ireland and the United States and the estimated numbers of organized workers in Germany, Italy, and Belgium respectively:

	<i>Population</i>	<i>Total Union Membership</i> Am. Fed. of Labor 3,195,653 Other unions 863,662	<i>Percentage of Population Unionized</i>
United States.....	105,710,620	4,059,315	3.8
Germany.....	55,000,000	13,000,000	23.6
Great Britain and Ireland	46,089,000	6,502,000	18.4
Italy.....	36,740,000	3,100,000	8.4
Belgium.....	15,000,000	920,000	6.1

Germany reached her present high percentage of organized labor after the war, almost doubling her pre-war union membership.

The percentage of the "gainfully employed" people of a country which is organized is a truer measure of the relativity of unionism in its industrial life. Of the 41,000,000 people in the United States who earn a living less than 10 percent are organized. In England, where unionism is of much longer growth and is more consolidated, both geographically and organically, 36 per cent of the "gainfully employed" are members of trade unions and take a lively interest in them. There is no such supine submission of numerous bodies of widely scattered but poorly informed members to the dictates of a few national chiefs that occurs too frequently in the United States.

For several years decrease in the membership of the unions composing the loosely articulated national labor body known as the American Federation of Labor has been progressive. It is more serious than officially admitted because of the "dead" rolls of its affiliating bodies. It is causing great anxiety at labor headquarters whose publicity is characterized by a liberal use of superlatives in all manifestoes and speeches proceeding from it; also, unfortunately, by a minimum of wisdom and social-mindedness. "When a man is right he need not be angry and when he is wrong, he cannot afford to be" is an old saying that would, if heeded, preserve "leaders" who know better from much foolish speech while playing politics in the game of "labor." His spectacular verbal castigations of the Supreme Court — a phenomenon peculiar to America — of the present Administration in all branches, of anybody and everybody by turns and the claiming of every "right" for his members as the spirit moves Mr. Gompers, their leader, are not edifying. So much is this the case that the Constitution of the United States and the institutions protecting our liberties under it have long ceased to be pleasant



thoughts to some labor leaders fighting unscrupulously with the massed strength of industrial organizations for power and special privilege, or for a new social order of questionable benefit.

Apart from the unaffiliated Railroad Brotherhoods which were boosted gratuitously in membership by Government war policy and are deflating again, and not including a few unattached crafts whose membership is also shrinking, the Federation Membership has suffered a severe set-back. It was 4,078,740 in 1920; 3,906,528 in 1921, and in June, 1922, it had fallen to 3,195,635, from which it has still further receded.

It declined therefore, nearly twenty percent in the past year. It is still dropping — not solely due to current unemployment, but also because of the bad counsel and foolish guidance of its national and state leaders. Such a decrease usually follows every failure of union officers "to deliver the goods" — which they first specified and guaranteed — for labor is sane and strictly self-regarding as a rule, and sometimes ungrateful.

**Its Failure to Serve Labor Efficiently.** — Such a condition as outlined, however, should afford capital no cause for rejoicing. Unionism has performed great services to labor in the past even if it abused its ascendancy. Labor in all plants and industries greatly needs education, good leaders, and sound thinkers. It thoroughly deserves them. It should not and it cannot obtain these solely or even chiefly through the initiative of capital. Consequently labor both unionized and ununionized cannot see its status endangered as already described without regret, dismay, and some measure of reaction, however little it may admire the authors of its distress. Labor's present unsuccessful leaders, when called upon to explain their undemocratic conduct, claim that they have no other recourse; that the wage-earners of the United States individually and in the mass in any plant or any industry

are "*unfitted to conduct their own economic affairs*," either at the plant or anywhere else; that they are under duress in all collective adjustments made directly with their employers, and at such a disadvantage that they are unable to secure their rights or to advocate them effectively. Some of this is true when the employes of any concern face an oppressive or repressive employer as sometimes happens. It has been demonstrated again and again that labor's fears were fully justified in such circumstances. That, however, is not the whole story. The liberal use of superlatives and compliments in speech and print about labor in the mass by its leaders is in strange contrast with their neglect of the individual employe's interests and their lack of respect for the intelligence of the mass.

As a matter of fact it is quite useless for union officials apostrophizing "labor" to pretend that the thirty-six million gainfully employed people in the United States *who are not yet organized and form six-sevenths of the whole of the real labor of the country* are brow-beaten economically and that it is necessary to transfer the sword and scales of justice to a new type of judiciary whose thinking will be dictated by the leaders of the diminishing total of only four million people now organized out of all occupations. Yet that is what we are asked to believe, what some of our politicians are coquetting with while the American people view with growing suspicion and disfavor this curious manifestation of professed concern for "all-of-us."

**Industrial Unionism.** — A new organization feature causing concern to the federated bodies of American unionism and creating undue alarm amongst some bodies of employers and citizens, calls for notice. The "labor news" service which some employers' associations give to their members, and which certain information bureaus compile, is inadequate and often misleading and it lacks proportion and perspective. Employers must take more trouble to acquaint themselves

with what is going on in the labor world and cease having their thinking and their resolving on it performed by hired deputies who often see only what they wish to see and what they think will "please the boss." There is an ample literature, and we believe some surprises await the hitherto aloof capitalist and his aides.

The writer's opinion after long observation is that the somewhat condescending aristocratic leaders of orthodox federated craft unionism are slowly but surely losing out. The essential skilled crafts, which patronize the semi-skilled and unskilled laborer when they feel like it and ignore him when they don't, have driven the latter to the conclusion that the greater solidarity of industrial unionism is his only security, using all of the people in any one plant as the unit of organization. To the forward-looking employer this is not disturbing. He, too, has come to a similar conclusion, namely, that the sooner all of the people in his plant get together, the better for themselves, for the business, and for mutual education. "But," say objecting employers, "just look at the preamble of some of the industrial unions." The answer is that it is the conduct, not the professed social philosophy of such bodies, that matters. For example, there are outside the fold of the American Federation of Labor, unblessed by its big chiefs, jealously watched, hampered at every opportunity, and sometimes widely and unfairly stigmatized as un-American, a number of organizations of labor, created comparatively recently by forward-looking men with advanced and frequently radical social views.

The leader of one of them, for instance, is an avowed socialist with a saving common sense permeating all that he does and a fine ideal of the worker's future informing his hopes for the industrial evolution. What objections can any thoughtful employer have to the existence of such an exceptional labor leader or of his union which is a true democracy of labor held in check by strict obedience to fact and to its

self-imposed laws? It rules justly and firmly over a strange and trying aggregation composed of very recent Americans and immigrant refugees of all races and oppressed peoples, with a nucleus of experienced American workmen who have far more reason to advance for the social faith that is in them than many complacent but by no means enlightened adherents of capitalism. Capital will not always be able to make terms with such a union but to consider it "a national danger" in the face of the trickery and venality of a few of the established orthodox union leaders with whom some employers deal is to take leave of common sense.

**The Issue of Radicalism.** — The Marxian preliminaries to the constitutions of the Industrial Workers of the World, The One Big Union, the Amalgamated Textile Workers, and nearly a score of other industrial unions of relatively small membership and of varying degrees of radicalism and influence, which are outside of the American Federation, should not be used as classifying or damnifying labels or as giant crackers to startle capital and the nation as has been done. These preambles mean *little or nothing to many of the rank and file* of the members who seek through their unions, almost wholly, the rectification of *the same kind of conditions* as occupy most of the time of the orthodox varieties of unionism and also the time of the rapidly increasing employes' representative assemblies in each plant, which are described and advocated in this volume. Much of our recently acquired common labor, vital to our industrial development, has come from countries in which the language and practice of rebellion has been the only outlet for their feelings under tyranny. They need education rather than a policy of repression.

Radical theories do not usually make a unionist worker a less efficient and satisfactory employe under the system of capitalism, though there are exceptions, and nothing could be more radical than some of the verbal and tactical follies of leaders of orthodox unions. The clothing trades unions,

it is true, are more uniformly socialistic in their labor theory than others, but most of them while retaining their statements of radical principles now recognize that their theoretical goal is "far-off" and they are increasingly inclined to "go to school" meanwhile.

Social-mindedness and true democracy are growing features in some of these industrial unions; in fact they are in marked contrast to the selfishness and narrowness of some of the long-privileged craft unions which greatly outnumber the former in membership at present. Craft unionism, we believe, will not disappear. There are situations where craft organization is the natural strategic formation of labor, but industrial unions are now likely to grow more rapidly. Employers whose people through wise representation and education are increasingly "sold" on the worthwhileness of the business that gives them a good living have nothing to fear from either.

The attempt of two years ago to create a "cave of Adulam," an organization to which all of the discontented and of the Left Wing of labor might rally has been given up for the present. It has, under radical leadership, been succeeded, however, by an organization for "educating" all workers — the convinced unionist in particular — on the futility of craft unionism, the iniquity of capitalism, the rightness of revolution, and the virtues of the "general strike." Whether this is the old plan under a new name remains to be seen but capital is fairly challenged by this move, as well as by others more orthodox, to justify itself practically and convincingly to the worker, and the writer attempts in this volume to indicate the nature of the task awaiting it. As we have seen it is one of the major misfortunes of Labor, especially in America, to follow personal leadership rather than programs. This circumstance encourages control of men by psychology rather than by logic. It caters to slogans, passionate utterances and the glorification of industrial war. It discourages

deliberate thinking and the judicial and constructive temper.

**Is There a Way Out?** — The way out is for management and the public to help in changing the mental attitude of organized labor and those who speak for labor, and also to encourage the self-expression of the great mass of labor which is unorganized. This they can do by offering no opposition to the organizing of labor where it is desired; by insisting that it organize right; and, where labor is unorganized by choice, a condition not uncommon — by placing it at no disadvantage on account of that fact.

The right kind of union organization, where organization is desired, is local organization with local leadership — genuinely representative leadership, appointed by and responsible to the workers of the individual plant or the crafts within the community — a revival of the ancient guilds adapted to 20th Century needs.

The day of absentee control of labor by national or international unions on a basis of class-conscious struggle, has been tried and found wanting. Such organization has led to abuses greater than the benefits it brought, and the public will not much longer support it. For the distant boss and his walking delegate, whose job demands aggression and militant poses regardless of the merits of a particular issue, there will in time be substituted the leader who has a knowledge of, and a stake in the community in which he lives.

What is being done in circumstances where labor is unorganized by choice or has only a small union minority which is making no headway? How are the workers there reacting to sympathetic and enlightened employers and how to the inherently "hard-boiled" employer who is "getting-back" at labor? What are the results of intelligent, sympathetic approach to labor now? What do capital and labor think and say about them, and do they point to improved industrial relations and a reduction of economic friction?

These are questions of importance, practical issues of moment, which we propose to answer in the light of our experience. The answers will suggest in practical detail what "Capital's Duty to the Wage-Earner" should be in this respect.

**CHAPTER XIII**  
**EMPLOYEES' REPRESENTATION**



Once I was afraid that men might think too much; now, I only dread lest they will think too little and far too timidly, for now I see that real thinking is rare and difficult and that it needs every incentive in the face of ancient and inherent discouragements and impediments.

JAMES HARVEY ROBINSON

## CHAPTER XIII

### EMPLOYEES' REPRESENTATION

To the history during the past five years of Employees' Representation, which some labor leaders scornfully and indiscriminately term "the Company union," we devote but little space. The best summary of it is given in Research Report No. 50 of the National Industrial Conference Board which analyzes interestingly the results of a questionnaire which was distributed to over seven hundred concerns in the United States reported to have had such organizations operating at the end of 1921.

Briefly, the externally imposed "Shop Committees" of the National War Labor Board which usually arose out of disputes were unsatisfactory to labor and capital alike. They have long ago disappeared and they are likely to be followed into the discard by such of the existing representative organizations in plants as convey no real power to the employee members: or which restrict discussion or decision upon wages, hours, and other major working conditions, make non-membership in a union compulsory or insist upon making the plan the ultimate and only recourse of the employee.

**General Results of Representation.** — This study has already proved that the state of mind, education and mutual feelings of the employees and executives at any plant has much to do with the kind of plan of representation possible or desirable — if any. In fact the same psychological factors govern here as were discussed in reviewing labor's reactions with foremen in the daily round. Where a plan is practicable and is favored by employees, it is almost certain to be used at first chiefly as a means for "working-off" the cumu-

lative grouches, distastes and repressions of years past. When these are satisfactorily disposed of in joint-conference with a patient, interested group of management representatives thoroughly supported by the ownership, the stage is clear for current business of an interesting and mutually profitable character; *provided always that the foremen of the plant are already enlightened and educated for the opportunity.*

If they are not, and if there is the least suspicion that the management expects very little from the plan, that is just what it will get — very little, probably nothing, possibly more labor friction than usual; *and it will deserve what it gets.* The blunders in the psychological approaches of capital to labor, the condescending or aloof attitude of some managements towards representation, is the secret of the contempt of foremen and workmen alike for some schemes, and for their failure — which is usually ascribed to other causes.

On the other hand when, under a liberal plan, foremen representatives find that their joint-representatives elected by the employes want to be fair and are fair, the armed neutrality formerly prevailing disappears and is replaced by a great good-will which only inexcusable blundering by proprietors or managers will destroy.

Such jointly constituted bodies will follow-on to constructive consideration of the "day's work" after the "day's troubles" have been reduced to a minimum. Employes show increasing discretion in the selection of their representatives, choosing almost invariably people of length of service, character and capacity, and they generally dignify a democratic opportunity when such is afforded them. Where good management obtains in a small plant of under 250 people, and "capital's duty to the wage-earner" is made a major concern, a "committee of the whole" is possible and no formal "plan" of representation may be necessary. Yet it is often found that the worker prefers form and ceremony to informality in this matter. In large plants, however, the

manager who attempts "to go it alone" in industrial relations either fails to overtake the responsibilities or he neglects his proper duties for a degree of fussy ubiquitousness which belittles his subordinates and alienates the workers.

In the large plant, the machinery of representation is essential in the company's interest to ensure continuity of good industrial relations. It renders them independent of any one personality or life and prevents the inevitable "set-back" which follows the withdrawal of a dominant personality, however competent, masterful and acceptable for a time.

**The Philosophy of Employees' Representation.** — As this study is in part an appeal to enlightened capital to act up to its convictions and to capital at large to embrace a worthy opportunity, stress is laid here upon the "why" of representation.

Thoughtful employers regretting the obstacles deliberately placed by current unionism, and also by some owners, in the way of any measure of "home-rule" in the plant, have been compelled to recognize that the initiative for better industrial relations must come from capital. They are finding that many employees today desire to work *with* the "boss" instead of merely *for* him; that they want self-expression and self-determination in simple personal matters just as strongly as they do not want to make their economic interests the plaything of incompetent and self-seeking men with no interest in or adequate knowledge of any one plant or any one worker. That such a condition need not obtain if organized labor chooses worthier and more capable representatives and upholds them is true, but, it is a widespread condition, not a theory, which has to be faced and overcome without damaging the interests of labor.

A state of siege or of trench warfare has been regarded as the *status quo* by militant labor and negative capital, but the first years of the third decade of this century have witnessed a steady increase in the coming together of employer

and employe around schemes affording mutually satisfactory settlements of economic and social issues affecting individuals and groups in the employment relation.

Such schemes and plans do not necessarily exclude status for a bona-fide agent of an organized majority or minority of the employes, but they do provide equal standing for all employes.

The early years of the present decade have also been marked by failure on the part of many labor organizers to reveal the requisite intelligence for the increasing complexity of their jobs and the rising standard of their constituents. They have failed to recognize the futility and folly of purely negative action, of continued and unavailing protest against the inevitable economics of war deflation; and they have refused to consider how to increase "all-there-is" while insisting upon obtaining an undue share of it.

Capital, too, has failed in many cases to "sell" thoroughly to wage-earners and even to itself the truth regarding an economic situation which makes the workers anxious about their jobs and very willing to apply themselves. Good Employes' Representation provides the best medium for the necessary enlightenment on these matters, for an efficient and harmonious labor force is not necessarily obtained when the employer is satisfied that it has been justly handled. The employe must feel that justice has been done and that fair treatment has been received. This feeling depends not only upon the actual details of the treatment, but also upon the extent to which the employe himself has participated in arranging these details.

**Changing Attitude of Employers.** — Many forward-looking employers and managers not only desire to see a coming together of capital and labor in mutual respect and confidence, but are deliberately working to that end, particularly in big business. Such owners did not put industrial relations upon the shelf when their hiring situation became easy, for hiring

— so urgent an issue in the war period — is normally as has been shown but a single function of many constituting a true labor department. Such an attitude towards labor relations is both good morals and good business, and sufficient attention has not been paid to the rising standard of capital's ideals. Certainly to those long in the field of industrial relations and making numerous contacts with high officers, the change is very noticeable. The practical problem in the numerous manufacturing plants of the United States — almost 300,000 in number — is to secure labor betterment, with sustained productive efficiency and "*with the consent of the governed*" in industry. If the two and one tenth percent — 6370 establishments — which employ over 250 persons each and include 5,000,000 people in all, or more than half of all the workers in plants, were organized in each case to this end, the 283,735 small establishments employing less than 250 people would have to follow suit. This is a measure of capital's opportunity and duty to the wage-earner in our day. It surely implies sincerity and a desire for a square deal to make the reward of labor and all of its conditions so often now a matter of common council with employes at a period when events are enforcing lower levels of operating and living expense upon everybody.

Experience has shown that quite apart from labor's wider interests and solidarity justifying and often necessitating organization external to the plants, all employes need and should have adequate and speedy recourse when dissatisfied, in the first instance in the plant itself about all of their working conditions there. This, where the plant is large, is necessarily of a representative character; where the plant is relatively small, say 300 people and under, it is possible for the executive to handle the employes in regard to conditions practically as a "Committee of the Whole" and animated by the spirit indicated. One way or another, increasing numbers of employers believe that there should be democratic recourse

provided in every plant for all employe interests not handled satisfactorily in the first instance by the ordinary plant authorities.

**Public Opinion and Representation.** — It will be remembered that the President's second industrial commission, of which former Labor Secretary Wilson was Chairman, and Mr. Hoover, Vice Chairman, reported that the right relationship between employer and employe can best be promoted by the deliberate organization of that relationship and that such organization should begin within the plant itself. They said:

"Industrial problems vary not only with each industry, but in each establishment. Therefore, the strategic place to begin battle with misunderstanding is within the industrial plant itself. Primarily the settlement must come from the bottom, not from the top."

and Mr. Taft declared, regarding a declaration of war from national union officials on this principle, as applied to railroad companies:

"To deny to the Company the right in the first instance to deal with its own men is the very antithesis of collective bargaining. Such a view is only advanced in the interest of the rigid tyranny of the national management of labor unions. It is for the purpose of standardizing nationally all wages and all working conditions, although local conditions usually and justly require substantial differences in both."

**A Democratic Opportunity Essential.** — Nevertheless, if it is the intention of any employer to evade dealing with the opinion of any organized labor in his plant by adopting employes' representation, *he is wasting his time* for he will have to reckon with it in any event. Even if, as in most cases, organized labor is in a small minority in a plant, it is a distinct gain and no drawback whatever to have the out-spoken, convinced union man fully represented in the Assembly of his own plant and afforded a genuine democratic opportunity

to present his views and to get acquainted with many things which he very much needs to know and which are not at all likely to come to his attention through small external meetings composed wholly of miscellaneous unionized people with no keen interest, as a body, in any particular plant or situation. Union organization may be and often is necessary to protect the interests of a whole group of workers against exploitation or unjustifiable action by individual employers or groups of such, but to claim that the interests of all the labor in any plant are adequately represented and cared for in this way is to ignore the plain facts of industrial experience.

One of the hopeful features of Assemblies of joint representatives is the progressive educational effect in such bodies; the sobering result of putting all the cards on the table, including the vital operating statistics of the business. In so doing, there is no pretense or expectation on either side that the Assembly "is running the business." It is simply running its own business, and it needs this information to do it well. The educational influence referred to was lacking in the past when no provision was made by the employer for intimate contacts with employes in industry and when there was lack of interest on the part of labor — organized and unorganized alike — and sheer misrepresentation sometimes by labor and its press of the facts of the business.



Democracy is a force of opinion and of feeling operating within the people, enabling the majority of them to get what they want by means of organization and to make these gains secure by laws, for it is only by making its own mistakes that a nation can achieve its destiny, which is to grow.

FRANK CRANE

Democracy is not opposed to a rule by the best. Democracy claims that every citizen shall have a chance to say what he thinks is best.

HERBERT HENRY GODDARD

## CHAPTER XIV

### A PLAN OF EMPLOYES' REPRESENTATION

In July, 1922, between seven and eight hundred concerns in the United States were reported to be using some form of employes' representation in their plants. But many of the half-way plans which exist are defective. They do not meet the reasonable expectations of labor, either because they limit the topics admissible for discussion or, when liberal in this respect, convey no powers of decision which employes can respect, or else alienate the organized portion of the employes by embodying a pledge that no issues will be raised through unions. The present chapter is devoted to an account in some detail of the results of a particular Plan of Employes' Representation which has functioned successfully for several years and is operating in eighteen plants employing 24,000 people in the business of Swift & Company.

The Plan is printed in full in the appendix to this book. The spirit of it and of its administration is indicated in the five instructional pamphlets for the elected employe representatives which accompany the Plan. The elements of true self-expression contained therein are commended to the careful attention of the reader and they are made the text of study groups of all newly elected representatives who are, under a skilful instructor, enabled to take their seats in the Assembly thoroughly informed as to their privileges and their duty to their fellow-workmen.

**Brief Description of Plan.**—The principle of the Plan is very simple. An Assembly, where employes desire it, is created by the joint-conference of equal numbers of elected

employe representatives and appointed management representatives. These function on details through three main joint-committees on one or another of which every Assembly member has a place. The standing committees are (1) On Rules, Procedure, and Elections, (2) On Interpretations and Disputed Plant Rulings, and (3) On Changes in Working Conditions. Committee No. 2, dealing in the first instance with the details of personal and small group issues only, is sub-divided into suitable divisional committees according to the size of the plant. Special and temporary committees are appointed from time to time as the Assembly finds necessary.

Table X shows graphically the general type of the Assembly organization for plants from 300 to 700 employes — in this case a tannery in New England. One of the twenty plants using the plan, a large packing house, has about 7000 employes and an Assembly of sixty in all. It has naturally more committee sub-division and its organization is illustrated in Table XI. Under the Plan each of the Voting Divisions of a Plant — the size being determined on the sliding scale given in the Plan — elects one employe representative and has one appointed management representative. All matters of difference must first be referred for settlement to the regular plant executives concerned, and following this the two representatives, without deciding powers however, may exert their good offices, but all employes are entitled to a committee hearing if they desire one. Committee No. 2 dealing with personal and small group cases can effect a decision binding alike upon employer and employe provided it is unanimous. Committee No. 1 on Rules and Procedure conducts all elections and passes upon all references regarding privileges and conduct of members, and the rules of Assembly Procedure. Committee No. 3 on Changes in Working Conditions has referred to it by the Assembly for investigation and recommendation all proposals to change any existing practice regarding wages, hours, conveniences of all





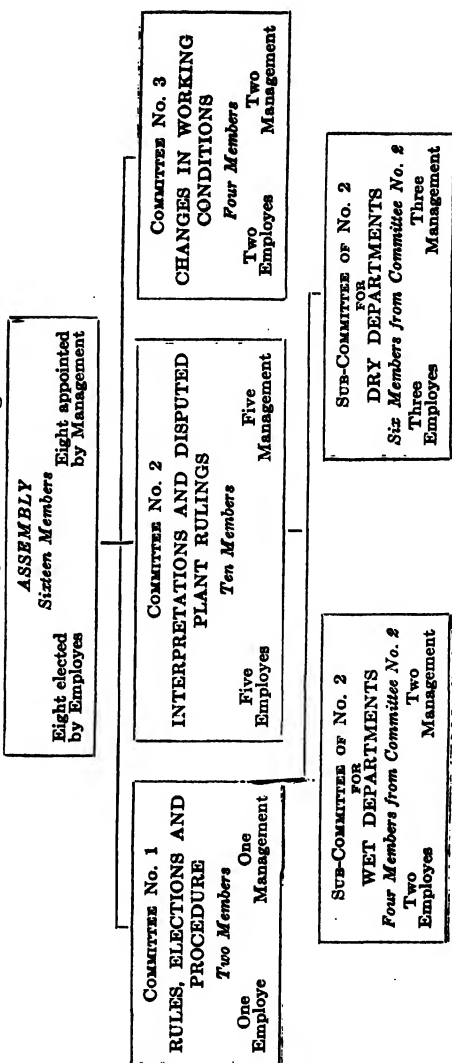
ASSEMBLY OF PLANT, NATIONAL CALFSKIN CO., PEABODY, MASS.

TABLE X  
NATIONAL CALFSKIN CO.  
Tanners, Peabody, Mass.

CHART OF EMPLOYES REPRESENTATIVE ASSEMBLY

Total Wage-Earners, about 400.

There is One Elected Employee Representative and One Appointed Management Representative for about Each Forty-five Wage-Earners and Every Member is Allotted to one of the Committees.  
Assembly Chairman without Voting Power.  
Assembly Secretary without Voting Power.



kinds and any other conditions arising out of the employment relation and affecting a body of workers. This committee can effect no decisions and may not handle personal cases or grievances which go to Committee No. 2.

Departments of Plant in Table X are arranged in eight Voting Divisions. Each Elected Employee Representative together with the corresponding Appointed Management Representative operates as a conciliation body of first instance on personal grievances, but without power of decision, as any employee has the right to a hearing before a regular committee.

The Assembly at the largest of the eighteen plants, Table XI, represents over 6,600 hourly and piece-work employees. It consists of 60 members, 30 elected employees — 28 men and 2 women — and 30 appointed management representatives. All are American citizens and the birth-places of the employee members were: America, 22; Germany, 3; Austria, 2; Scotland, 2; and Sweden, 1. The average service at the plant of the representatives, chosen by the employees themselves through primary and secret ballot, is seven years, though one year of service would qualify a representative, and any person on the payroll may vote. The plan has worked equally well in large and small plants, namely, at one plant with over 6,000 wage-earners, at seven plants with about 2,000 each, at five plants with 700 each, and at six with 300 to 500 workers, each. The plants range from all-American forces to a large variety of nationalities and in a few cases a considerable number of colored help, and the Plan has proved equally acceptable to all.

One appeal for reconsideration by the Assembly is allowed to either side by the Plan, if requested within fourteen days. The Plan is essentially one for arriving at agreements and when, after such reconsideration, or without such being requested, it is deemed impossible to arrive at a collective agreement by joint-conference in the Assembly on any single issue before it, the management and the employees or any





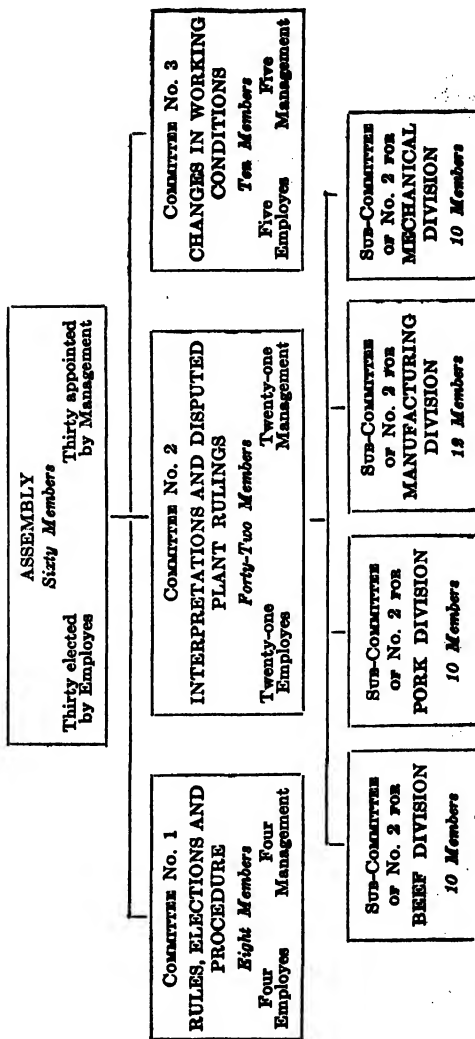


ASSEMBLY OF PLANT, SWIFT & COMPANY, CHICAGO.

TABLE XI

SWIFT & COMPANY  
Packers, U.S.A.

CHART OF EMPLOYEES' REPRESENTATIVE ASSEMBLY AT CHICAGO PLANT  
EMPLOYING ABOUT 6600 WAGE-EARNERS.



These Sub-Committees are composed of equal numbers of Employee and Management Representatives and every Member of standing Committee No. 2 is on one or other of the Sub-Committees.

minority of the Assembly are left free to take such action outside of the Plan and its Rules as they may think advisable. Such action does not terminate the continued use of the Plan, which remains in full force as long as it is mutually desired. It merely takes the particular issue in question out of the Assembly and upon it the parties may compromise, arbitrate, or fight as they choose. This entire liberty of action — which in some Plans is carefully eliminated — is greatly appreciated by employees who are constantly warned by organized labor that they are sacrificing their freedom. Because of the unusually thorough presentation of the facts by both sides in these Assemblies and the adequate deliberation upon them, none of these joint-conference bodies which disposed of 421 cases during the year ending July 31, 1922, has yet had the re-hearing privilege, provided under the Plan, invoked *by either employees or management*.

On only one decision since the formation of the Assemblies — an important wage issue affecting eleven of the plants — has any friction arisen and this originated outside of the plants. In that case, seventy-five percent of all of the elected employe representatives in eleven plants were in agreement as to the desirability of a specific reduction of wages from the war level, but after this decision was operative the external leaders of a small unionized minority of employees notified the company of the withdrawal of the services of their members and sought to intimidate the employees as a whole into doing likewise, the real ground of the action being the prevailing of the opinion of the majority of the employees rather than that of a small minority of them, though the ostensible ground was the effecting of any reduction of wages from war levels. The Assemblies, however, stood firmly by their decision and had the loyal support of their employe electors, and the attempt to substitute force for considered judgments on the facts failed. These bodies have become increasingly popular and are now used quite

freely by men with union affiliations to express their views and desires.

Provision is made for the recall of any elected Employee Representative who proves unsatisfactory to his Voting Division in the Plant. Any wage-earner on the payroll, regardless of length of service, may vote provided he occupies no position of trust on behalf of the management. One year in the service, four months in the Voting Division, legal age, and citizenship or first papers qualify for election as a Representative.

No pledge whatever is made in accepting the Plan, or apart from it, by any employee regarding abstention from union membership and the right to act independently on any issue.

The fact that the elements of any controversial matter have been thrashed out initially in the thorough way provided by the Plan will certainly help—not hinder—any settlement in which other means may be found ultimately necessary.

**The Working of the Plan.**—Table XII is a summary of one year's cases handled in the plants at eighteen places in the United States and Canada and involving 24,000 people. It will be noted that no less than 78 collective wage adjustments of importance were satisfactorily made in the twelve months reported and that of the 421 decisions of these joint-representative bodies, 69 percent were in favor of the employee. No decision has been made the subject of protest of any minority of the Assembly membership, nor has any called forth a request for reconsideration from the employer; though as already stated one revision of any decision at the request of a minority is provided for. The "Cases" were by no means all disputes. Some of them were suggestions beneficial to employees, others to the employers, and they originated from both sides.

When the plan was adopted by the 24,000 employees at these plants they entered heartily into the elections which

**TABLE XII****EMPLOYEES' REPRESENTATION PLANS — 18 ASSEMBLIES IN SWIFT  
AND COMPANY PLANTS EMPLOYING 24,000 PEOPLE****SUMMARY OF CASES HANDLED DURING YEAR ENDING JULY 31, 1922.***Subjects*

1. Accommodations for Employees.....	42
2. Wage Adjustments.....	78
3. Hours of Plant and of large groups.....	8
4. Safety.....	23
5. Sanitation and Working Conditions.....	57
6. Plant Equipment.....	20
7. Dressing Rooms.....	27
8. Disputes with Foreman.....	68
9. Working Hours, Adjustments for Individuals.....	14
10. Restaurant.....	12
11. Recreation.....	4
12. Suggestions for Improvement.....	15
13. Disputed Plant Rulings.....	48
14. Employees' Benefit Association.....	1
Cases withdrawn by Representatives.....	3
Cases pending further investigation.....	1
	<hr/>
	421

*Hearings*

Handled by Joint Representatives in Voting Divisions.....	240
Handled by Committee on Rules, Procedure and Elections.....	5
Handled by Committee on Interpretations and Disputed Plant Rulings.....	45
Handled by Committee on Changes in Working Conditions.....	33
Handled by Full Assembly.....	94
Withdrawn.....	3
Pending.....	1
	<hr/>
	421

*Decisions*

In Favor of Employees.....	291
In Favor of Management.....	126
Withdrawn.....	3
Pending.....	1
	<hr/>
	421

were conducted by secret ballot under their own supervision, and nearly 85% took part in the voting. During the year ending July 31, 1922, elections have twice taken place at all of these plants for the semi-annual renewal of the retiring half of the employe representatives and the sustained interest of the voters was manifested by a 100% vote in many voting divisions, and a very careful consideration by employes of the merits of the rival candidates.

In considering these results it should be said that the existence at each of the eighteen plants of a joint-judicial body like the Assembly has tended to increase the circumspection of foremen and the wisdom and liberality of their actions and decisions in the ordinary course of the day's contact with employes in their capacity of supervisors.

The effect of the Plan has therefore been twofold, viz., more acceptable decisions on the job and complete and satisfactory disposal of all other matters for which formerly there was no acceptable recourse for employes, either organized or unorganized at the plants.

**What Has Been Learned.** — Briefly, the following are some of the more important experiences with the Plan which, it should be noted, has so far operated satisfactorily to both sides during a period of business deflation and considerable depression involving inevitable surrender by employes of the war scale of wages and of a few of the privileges accompanying it. At the same time the bulk of the new conditions built up in the war commended themselves to employer and employe alike and were confirmed by the Assemblies under the Plan and made a permanent practice.

It has been found that the ordinary employe in all parts of the United States and Canada, when he has a satisfactory court of first instance at his disposal at all times *in the plant where he works*, is keen to use it as soon as his confidence in the sincerity and fairness of the management and foremen is established and his status established beyond any doubt.

Naturally, skeptical, militant labor, radical sociologists, and reactionary capital believe and proclaim that such plans will not work and some of them with no desire for such progress hope that they won't. The answer is that they do work amongst people of good-will, but that they are the ultimate forms of employe co-operation with capital, no one claims. They will be subject to evolutionary process like everything else and the wise will avoid prophecy. It is found that the workers using such a Plan will agree to reduce wages, if due cause is shown and ample opportunity afforded for investigation. Under such conditions they will be sad, but not sore; reluctant but not unconvinced. What more could reasonably be expected? Has defeat under other and unco-operating auspices ever been accompanied by such conviction and enlightenment and continuing good-will? Never, so far as the writer's forty years' observation goes!

Union membership is quite compatible with voting under such a plan and for acting as an elected employe representative, and some of the ablest Assembly members are union men now visualizing for the first time what the employer is "up against." Employes when satisfied that an industry is paying them all that it can afford, and that it *would like to pay more*, begin to show a constructive interest in "making goods plentiful." Unionism, however, will not be destroyed by democratic Employes' Representation, though this implied consequence is labor's main argument against it. Unionism can only destroy itself by failing to display its superiority or special usefulness to the employes in the Assemblies where there has always been a greater proportion of union members than there is in the plants. It is open to any union group in the plants to capture a plant Assembly on their merits, but it cannot be done by ordinary political manœuvres. Such bodies of well-informed workmen are well worth the attention of the unions, which can learn more from some of them than they can teach such members.

The worker soon becomes well-posted in these Assemblies on the state of the business through having access by his special committees to all relevant information. Under these conditions the constant propaganda of misrepresentation which is the stock-in-trade of the organizer on the outside has less and less effect, and the worker takes up his own positions on the actual facts of the business and maintains them in the Assemblies without prejudice to his job or his status. It has never been necessary to refuse any figures or information whatever on the business when requested by such Assemblies as it has frequently been. The Company has been very willing to satisfy to the fullest extent any interest of this kind.

**What Should Characterize Good Employees' Representation.** — (A) Any proposed plan of Employees' Representation that does not include man-to-man discussion regarding every employe interest, without exception, and *definite powers of decision*, is not democratic in spirit, and will not be acceptable to labor.

(B) Joint-Representation is necessary if there is to be a mutual and beneficial educative effect upon employes and management. Both need it and the day of two hostile camps sporting an occasional flag of truce should be left behind.

(C) Any plan of representation within a plant which, as a condition of its existence, excludes organized men from employment or forbids or inhibits directly or indirectly, the free expression of opinion by such employes, or by any dissentients — whether majorities or minorities, will fail to attain success.

(D) No plan of Employees' Representation will command the confidence of either organized or unorganized employes, if it is essentially or chiefly a union-fighting or union-destroying instrument. The sincere employer will find that a genuine democratic assembly is a far more enlightening and educa-



tive body than the average union of today which has little interest in the truth about any one plant situation and is chiefly "gunning" for national spoils. He will also find that any injustice or repression will only saddle him in the end with an external fight for which he has himself furnished the ammunition and greater intelligence for securing his defeat than would otherwise be available. Moral — let the insincere employer avoid Employees' Representation as he would the plague.

(E) Employers should appreciate the desirability and advantage of making the terms of any plan of representation changeable in detail and of leaving the plan itself open to discard as soon as it is no longer mutually desired, making of course due provision for deliberate consideration of such proposals. Employees will almost invariably use these rights conservatively.

(F) Employers should also note that the psychology of the situation under the conditions laid down is that where there is no inevitability and no suggestion of economic determinism, interest in the plan will be sustained and participation in the practical use of it will increase. Where the conviction exists that complete freedom for independent action is possible under the Plan on the initiative of either employer or employe, it is frequently found that *neither wishes to exercise the right* and that a cordial desire springs up on the part of both to make the most of what is a purely voluntary connection, often with the happiest results. Of course, official labor's comment upon such a result is, "But this is all wrong!" However, there is no particular virtue in conflict except as it arises out of genuine conviction. The worker prefers peace with honor, though that by no means satisfies the ambitions and personal interests of some of his present-day leaders. Yet many of the minor labor leaders — some of them excellent men — would prefer to discard the strike threat as their first as well as their last business move.

**CHAPTER XV**  
**CAPITAL, LABOR, AND WORKING HOURS**

**This country will not be a good place for any of us  
to live in, unless we make it a good place for all of  
us to live in.**

**THEODORE ROOSEVELT**

**To business that we love we rise betimes  
And go to 't with delight.**

**SHAKESPEARE**

## CHAPTER XV

### CAPITAL, LABOR, AND WORKING HOURS

This study so far has indicated that only if the practices of each side in the industrial controversy are efficient and beneficial to each other and to the public can they persist in human society.

Enlightened, forward-looking capitalism, we have seen, desires not only to employ and adequately reward willing and efficient workers, but it also seeks as a duty to itself and to society to make good workers out of the material presented; a task which most unionism evades.

"For How Much Shall a Man Work?" will be determined partly by the productivity of the co-operative effort but ultimately by the contribution labor actually makes. The same is true of the answer to the question, "For How Much Shall Capital Work?" and equally of directing ability of a high order in industry.

The economics of "How Much" under our present motivations is detailed in Chapter XVI and the subject of "How Long Shall We Work" occupies this chapter.

**Answers of Nature and Society.** — When man was left for the first time to struggle with nature for a living; when climatic changes and modifications of the earth's crust — possibly at the successive recessions of the great ice-caps — made "getting a living" a matter of first concern, tradition naturally regarded the change as in the nature of a curse, or sentence, the terms of which were: "In the sweat of thy face shalt thou eat bread." Thus the "economic urge" was born. It was not, however, the theological "fall of man." It was really an ascent both morally and physically and

human society as a whole has ever since been working out that indeterminate sentence quite cheerfully.

Almost immediately society imposed upon itself another healthy regulation — "He that will not work shall not eat." Still later it became more specific and proclaimed, "He that will not work enough shall not eat enough." What is "eat enough"? Official labor and aspiring society reply: "It is more and more and more." What is "work enough"? Official labor and our social dreamers reply, "It is less and less and less."

The implication of both is that "work" is just a necessary evil and that we do not really begin to live until we are quit of it. Hence, they reason, our social objective should be to reduce work to a minimum. Estimated carelessly by a social optimist, on a particularly fine day, he sets it down at two to four hours of work out of the twenty-four. This is in a society, of course, from which "legalized self-interest" has been banished.

Is that how labor really feels? Is this the manner and the spirit in which red-blooded men answer the challenge of niggardly nature? We know better. In Chapter III we have seen that labor aspires to be happily busy.

**Labor's Interest in Leisure.** — We find also that labor is truly interested in what good industrial management and society can provide in social service and education, because labor is interested in the fruitful use of its leisure.

The labor problem is not nearly so much one of hours or wages as it is supposed to be. It is a psychological and spiritual question of energizing leisure. Labor wants more things and more time for a purpose — the proper enjoyment of that time; the securing of some of the good things of life still out of its reach. Labor wants education and culture and these require time for their pursuit. Provided the workers' daily tasks are well-conditioned, those naturally of lower mental levels do not desire a great deal of spare time

altogether; nor do they want much on any one day; just what is adequate for their powers and securely their own.

**How Long Should We Work?** — Man obviously must work long enough to produce the goods and services, the proper share of which will satisfy him and will procure the means to enjoy some leisure. Obviously the efficiency of his effort and that of those laboring with him will determine the possible extent of his leisure.

The amount of production being increasingly, though not wholly, determined by the extent to which mechanical aids are employed industry is more and more depending upon the industrial engineer to minimize fatigue, reduce waste and keep the worker genuinely interested in the changing character of his job. It is in vain that idealists deplore the fact of change in our evolving industrial process.

The designated rate of production of machinery in some industries — textiles for instance — practically controls the output which is directly proportional to the number of hours the equipment is in use. It does not, however, guarantee quality of output. For this the vigilance and interest of the worker must be secured.

It follows that to make the most economically of any instrument of production it should be used as continuously as possible consistent with its efficient maintenance.

**The Six-Hour Day.** — To get maximum production with minimum demands upon efficient workers, Lord Leverhulme has proposed the six-hour day of four turns at his Port Sunlight Soap Works in England. It has obvious economic advantages if maintenance of equipment can be kept up, but it is still in the proposal stage, for English organized labor would have none of it. Labor there does not want the 24-hour period regimented into working fourths of six hours each, which exclude quite a number of people for considerable intervals from daylight leisure.

As a matter of fact, such a proposal, even if it solved the

problem of making more use of fixed investment, presents another and more difficult problem, viz.: What can the average worker do with eighteen hours of daily leisure from his job? On that ground, his wife and family have been emphatically adverse to the proposal. Even the man of education and of naturally high mental level would be bored by such a privilege. He might, of course, invent some attractive "ease in idleness," to pass the time, but more probably he would prefer to harness himself to useful, energizing social tasks with some element of urgency and necessity in them. Lord Leverhulme in discussing his proposal when in the United States stated that this was the weak link in his new production chain; that his most difficult task would be to educate labor to desire and to use wisely a leisure from compulsory toil equal to three-fourths of each twenty-four hours. He admitted that no domestic arrangements and no trained desires for such possibilities yet existed amongst the great body of his own people. Other liberal-minded employers have confessed to the same difficulty and have hastened slowly in the matter.

**Too Tired or Uninterested.** — No excuse, of course, can be found for the 12-hour day, regardless of whether necessity or a low standard of life inclines some workers to accept it. The tired bodies and minds and the torn tempers resulting are simply social dynamite. But where no such enervating daily program exists, *and that is the case with the great majority of workers*, does the worker hate his job as some allege?

Our experience is that the worker — unlike the interpretation of himself by social theorists — does not want to escape his toil to anything like the extent believed. He wants to be energized at his work as well as outside of it. If this is done with every fatigue-eliminating device the industrial engineer can provide, the worker will choose to be keenly occupied for considerably more than six hours a day without the slightest desire to reduce the length of the spell.

Because they are not so energized, because their productivity and reward are too low, or the latter believed to be unfair, or because their work is obviously poorly organized by the employer or unaided with proper facilities by capital, — for these and a score of material and personal reasons causing unfavorable reactions on the job some workers want to change present economic conditions and to quit the job as early as possible.

Some desire only a slight modification; others a material one and still others a radical one. Whatever the program, these wage-earners must understand three things, viz., the true natures of the institutions they wish to change or abolish; the natures of those they desire to establish; and the method by which they can make the change successfully and effectively in the public interest. These are the very things which neither in a matter like "How Long Should We Work" nor in the graver social proposals is there an indication of proper consideration being given to the subject by the worker and his leaders.

**What Can Be Done About It?** — Education is again the answer — the only answer; education for work as well as for leisure. Men find greater significance in what they are doing when they feel a measure of importance amongst the thousands of others who are making their effort possible. This is certain; the more an employe learns about his work, what it is for, its social usefulness and the extent of it; and the closer his fellowship with other employes and his bosses, the better contented he will be and the less inclined to keep paring down his working day. Understanding is at the base of all content, and ignorance is capable of any folly. Labor today is restless in part not because of lack of money or of lack of time, or, in most occupations, for lack of adequate free time. The truth is that labor *does not know how to use advantageously* its surplus money and time. Educated workers will always procure some joy from the job and will get



more out of their leisure, and such minds will see to it that their leisure is adequate.

**What Can Be Decided?** — Ten, nine, eight, or less hours a day? *There is no answer of general application.* No one can decide for all the others; neither the State nor labor nor capital nor philanthropists. Our social effort and our greatly varying social standards will decide for us, and there is not so positive a feeling today as there was several years ago amongst the public that eight hours is the standardized day to which all industries should conform, regardless of the intensity of the application demanded when the worker is in action or of the intermittent character of the demand for his effort. It is our opinion that we have "another guess coming" in every industry before we have discovered the best length for the working day in various jobs and have satisfactorily reconciled it with the dispositions and the economic and social aspirations of the workers immediately concerned.

Didactic pronouncements by churches, forums, and social theorists, and general "resolves" based upon admittedly sore spots of industry settle nothing and do not secure even the adherence of the worker himself who is outspoken in many cases today at some of "the economic consequences of the peace" which have left him with the undesired privilege politically manœvered of a day too short to provide for his wants now that the wage scales of a war boom have necessarily ceased.

All of this ground has to be gone over by the main interests — capital and labor — in earnest co-operation to make goods plentiful and men dear with as full recognition of the social consequences of not producing enough as of not sharing it equitably.

**Labor Must Covet the Best Things.** — As the worker through diligence and intelligent co-operation with capital attains higher real wages and an increased margin of leisure,

he must, in order to retain and if possible enlarge these, lift himself up by individual and collective enterprise from the machine-made and also, let us not forget, the self-made mediocrity of the modern world. It is foolish to lash the "iron man" of industry as the chief sinner, to be incensed about the automatic machine or systematization. Neither a living wage, nor a saving-wage, nor a shorter working day, is the final answer to the home-sickness of the human spirit. The materialistic conception of life does not satisfy the desires of the heart either on the job or away from it. One of the saddest things today is the "iron man" in pleasure — the machine-made world of amusement which enables the workman to dissipate so easily an unplanned leisure in which he is usually a mere onlooker.

**Democracy and Education.** — The worker is often uneducated, unimaginative, unequipped to create the best values in life. In order to offset the more monotonous tasks, however shortened and however highly paid, and to make use of the increased hours of leisure, some energizing influence must operate. Failing a solution for this overplus of vitality and for the unemployment of his higher faculties, the worker is thrown back on rebellion as release for his unfunctioning energy. A new element, as we have seen, has been introduced in the last few years, namely, the introduction of energizing and enlightening education into the plants themselves; first to the foremen and all in responsibility as has been described, and through them to the workmen themselves. Such a course helps to reduce the monotony and lack of interest and of productiveness exhibited during working hours and it also increases the zest for more satisfactory use of leisure time and feeds the schools of learning. That hunger we must all do our best to increase and to meet. If we do, the working day that is calculated to satisfy it will be surely forthcoming.

**The Continuous Industries.** — The discussions in this chap-

ter have been around the problem of the proper length of the working day in discontinuous industry and upon the wage-earner's reactions to work both ill and well planned and supervised.

It is estimated that of a little over nine million people engaged in manufactures, 300,000 of the wage-earners work on twelve-hour shifts in over forty continuous industries and about 300,000 more operate on shorter shift systems. The continuous industries in whole or part operated on two, three, or mixed shift systems are chiefly iron and steel, non-ferrous metals, glass and cement, lime, brick, tile and clay products, chemicals, sugar, salt, petroleum, cottonseed oil, paper, flour, rubber, some automobile industries, cereals, textiles, sections of mining, and public utilities, such as power, gas, water works, etc.

Probably one-half, or 150,000, of all of the twelve-hour shift workers are in normal times to be found in the Iron and Steel Industry, and in 1919 the United States Steel Corporation gave the number of its twelve-hour employes, as between 69,000 and 70,000, or nearly one-half of the total in the industry.

**The Two-Shift System.** — The twelve-hour day in normal single shift industries has no defenders now, but the working day of this length has not persisted in all cases, solely owing to the obstinacy of employers, as some social critics have claimed.

The twelve-hour day in the Iron and Steel Industry for instance was a natural outcome of the earlier conditions and persisted long after it had ceased in other lines, because it was unusually adapted to the requirements and the equipment of the steel industry.

The plentiful supply of immigrant labor up to a few years ago willing to take up the long shift tasks that Americans were no longer disposed to tackle was also a factor, making for continuance of the two-shift custom.

Comparatively recent inventions and improvements in equipment, processing and management, particularly the larger use of electricity and mechanical charging and controls have been steadily in the direction of a shorter working day in the steel industry. They have introduced in addition real continuity of steel production and have largely eliminated the "peak loads" of the old days which involved intense activity of "gangs" for short periods, interspersed with considerable idleness. In so doing they have tended to make an eight-hour shift a strenuous enough proposition for the wage-earner and have set engineers busy over the practicability of abolishing the long working day.

**The Cabot Fund Investigations.** — Besides the investigations of the United States Steel Corporation and other steel employers, the twelve-hour day and the Shift System in general have been the subject of independent expert reports during the past three years liberally financed by the Cabot Fund, a trust left by the late Charles M. Cabot of Boston, for general philanthropic purposes, including investigation of industrial conditions.

The most recent reports made public in September, 1922, are of especial interest, as a distinguished metallurgist, Mr. Bradley Stoughton, has gone fully into the technical and management adjustments needed for the successful abolition of the two-shift system in steel making, while Mr. Horace B. Drury another expert in the industrial field, has surveyed the whole extent of the continuous industries, and present working conditions.

The reports of these experts are now before the Federated American Engineering Societies, whose Committee on Work Periods in Continuous Industries, and also the Executive Board of the American Engineering Council have already endorsed the findings of the investigators. By the scientific work referred to, the whole twelve-hour controversy has been removed from the sphere of purely sentimental discussion,

justly incurred however, to expert consideration of what can be done in the premises.

**The Drury Report.** — In summing up Mr. Drury takes an encouraging view of the modern possibilities while at the same time warning the public and managements that it is no simple task. To steer a great industry safely through the economic perils of transition from two shifts involves every resource of skillful organization and the wise leadership of the human factor which has been emphasized in this book. Wherever the workers do not feel right, serious economic and social difficulties will be encountered in the attempt. Only cordial co-operation by the workers will enable the best technique to solve the problem. Mr. Drury says in part —

“The evidence collected in 1920 and a weighing of the experience of 1921 and 1922 would indicate that it is doubtful whether all the departments of a steel plant can be operated as cheaply on three shifts as on two shifts, if the men receive as much pay for eight hours as for twelve. But there is tangible evidence, strengthened by the developments of the last year, which indicates that under active and able management and with reasonable co-operation on the part of labor, costs on the three-shift system can be kept as low as on the two-shift system, provided wage rates are compromised so that eight-hour men receive pay equivalent to ten hours' work instead of for twelve hours pay. Such a compromise, or even one less liberal, is ordinarily satisfactory to the men.

“At the same time care should be taken not to be overconfident. Most managements do not give the attention which they might give to the matter of securing the highest attainable degree of labor efficiency; so that it is probable that, in case of a general change from two to three shifts in the steel industry, assuming a fifty-fifty compromise on daily wages, the greater proportion of the plants, for the time being at least, would note some increase in labor cost. But, as has been shown in the two special reports on steel, this increase in cost could not be large; and there is no reason why it should not be practically offset by intangible improvements in relations and operations, due to the plant being on a more satisfying day.

"It is very significant that, during the late period of very acute depression, exceedingly few companies, either in the steel industry or in other industries, have seen fit to go back from eight-hour to twelve-hour shifts."

Mr. Bradley Stoughton in summarizing his inquiry into the technical factors involved in the steel industry, says:

"Only a part of the laborers in the industry are working the twelve-hour shift. If that proportion of the men were changed to the eight-hour shift, and paid as much per day as they are now receiving for twelve hours' work, without, at the same time securing any compensating economic advantages through increased efficiency, increased morale, etc., the total manufacturing cost would be affected by only three per cent to fifteen per cent. This is, in most cases, less than the variations in cost already experienced by plants competing with one another, due to efficiency of equipment, technical skill, wisdom in purchasing, location, capital resources, overhead expense, etc. If the increase in labor cost were compensated, at least in part, by resulting or accompanying economies in operation, the result would be correspondingly better."

On the twelve-hour shift in general the committee of engineers to which the investigators reported, says:

"There are few continuous industries which do not have twelve-hour plants. Of some forty or fifty continuous industries a number are overwhelmingly on three shifts. The majority are partly on two shifts and partly on three shifts, with three-shift operation in the preponderance. There are a half dozen industries in which two-shift operation is so nearly universal that it is difficult to find an exception. Outside the steel industry the total number of employes on eight-hour shifts is now considerably larger than the total number of employes on twelve-hour shifts. Taking into consideration all continuous industries, between one-half and two-thirds of all workers on continuous operation are on shifts averaging twelve hours."

"There is no direct relationship between the question of abandoning the twelve-hour shift system and the question of adopting the eight-hour shift system. In a sense it is

accidental that most employers in changing from the long day have been forced by the mathematics of the situation to adopt a system of three shifts of eight hours each. Certainly the change itself has involved no judgment as to the relative merits of a working day of eight hours as compared with a working day of any other length shorter than twelve hours."

"Relatively only a small part of industrial work, five to ten per cent, is on processes which require continuous operation, and the number of workers is relatively small. The desirability of abandoning the two-shift system lies not in its extent but in the fact that the twelve-hour shift day is too long when measured by Twentieth Century ideas as to the proper conduct of industry. Decisions are influenced today by humanitarian considerations as well as the economic, which demands that length of a day which will in the long run give maximum production. This declaration the committee believes is not controversial. Further, there is practical unanimity of opinion in industry as to the desirability of the change provided the economic loss is not too great. The weight of evidence indicates that the change can usually be made at a small financial sacrifice on the part of the workers and of the management. Under proper conditions no economic loss need be suffered. In certain instances, indeed, both workers and stockholders have profited by the change."

"Facts developed by the investigation definitely prove that there is no broadly applicable way of striking a balance between the losses and gains inherent in the change from the two-shift system of operation. If any one fact stands out above others it is that the change cannot advantageously be made by fiat. Our judgment is that to effect the change suddenly or without adequate preparation is sure to result in lowered production. It is also our opinion that when the change is pre-planned and the co-operation of every one is enlisted, gains will accrue to every one concerned—to workers, management, owners and the public."

Capital and management in the continuous industries are therefore in possession, for the first time, of facts and conclusions from independent experts regarding the social and economic effects of the two-shift system, and the present-day possibilities of betterment.

These reports indicate the duty of capital toward the wage-earners concerned beyond any doubt, and they challenge engineers and plant executives to respond with all their ability to what, at the best, is no easy task of re-adjustment but which nevertheless appears possible on a sound economic basis which will be equally fair and just to the interests of invested capital and of the wage-earners.



The wise man can understand the foolish because he has been foolish, but the foolish cannot understand the wise because he has never been wise.

PERSIAN PROVERB

## CHAPTER XVI

### CAPITAL, LABOR AND WAGES

We have seen that the matter of the length of the working day can not be settled by the fiat either of capital or of the State and that it will not be accepted by labor simply because it is liberal and has been blessed by its agents. It must fit into habits and leisure aptitudes in order to be prized. The same holds true of wages, and labor and capital must learn the principles underlying wage changes if they are to act intelligently and co-operatively in adjustments. We have already indicated many of the steps which should be taken to help labor and capital to comprehend, and to induce them to accept, the rules of the game of co-operating to produce an adequate surplus; and to get them to like the task of brainy production to which the natural genius of the American people and the evolution of our economic system call them. They must set themselves resolutely to understand the laws governing wages which are set forth here in some detail in the hope that the outline may induce executives and supervisors in industry to aim at further study, eventual mastery, and ability to teach to the workers the principles underlying compensation for work.

**Labor Distrusts "Economics."** — The rules of the production endeavor, however, are not "iron laws" of necessity; they are not immutable. They both can and will be modified by new conditions as they arise. They do not hold labor forever in their grasp as claimed by some and feared by others.

Labor exhibits frequently a distrust of "economics," so much so that some of its leaders are formulating a new edi-

tion of the science which they call "Labor Economics," and which is as partisan as it can be made. Society, however, has no use for pseudo-science either from labor or capital. Such distrust is foolish, for economics is not an end in itself. It is not concerned with ends. It is simply an analysis and description of *what is*. The central human question now and probably for a generation to come is "What is right, and how may we realize the right in economic relations?" The law of Diminishing Returns, for instance, is inherent in nature, and except where circumvented or modified by invention, it will always bother any kind of readjusted society upon this planet; but new social arrangements and motives might conceivably modify and in some cases eliminate other laws and consequences of our present system. The objectives of society are after all determined by *the social and ethical ideals* of the people composing it. These are what decide what any nation is to attain. The economics of any age is merely the contemporary explanation of how its social system works, and much worry and temper have been uselessly expended upon denouncing the current explanations of how we react upon one another in procuring a living.

**Wage Adjustments.** — Wage adjustments for important groups and for the whole body of the workers in a plant are major issues when they arise, though they are infrequent compared with many other issues of an internal nature raised by the workers. Collective wage adjustments in the past have not been based as a rule on a thorough understanding of the merits by all concerned, or participated in by many of the people actually affected. They have rather been a so-called "collective bargaining" which appealed to the few people engaged in it because concessions were made, or appeared to be made, by one side or the other, or by both, from a base proposition which might or might not be reasonable in itself.

The Employes' Representation at the plant, as advocated and illustrated in this study, is of the frankest and most

open kind. It aims particularly at the elimination of unintelligent wage agreements, and it involves appreciation by workers and foremen alike of the elementary economics of wages. It is quite possible to convey these in simple satisfactory language to the individual workers, and this must be done. We confine ourselves here to stating in brief compass the main principles with which capital and labor must become thoroughly acquainted if they are to make intelligent wage agreements and which capital, in fulfilling its duty to the wage earner, must take the initiative in appreciating and teaching.

**Wage Theories.** — Economics over many years has sought to reconcile the fluctuations which admittedly occur in wages and in doing so has advanced successive theories to account for the facts. These theories in themselves bear evidence to an increasing conception of the real problem of wages. Nearly all of the theories have been built upon fallacies arising out of the particular conditions existing in society at the time at which they were framed. Some of these conditions have not been permanent features, and most of the theories ignored several factors and exaggerated the influence of some particular one of the others.

The different theories held about wages since the eighteenth century are not necessarily inconsistent. Each may contain and express one important influence on wages while neglecting others.

In its practical aspect the apparently simple question — which puzzles the wage-earner and often the employer as well — **What Fixes Wages?** — involves answers to three questions, viz.,

- (1) What fixes the share that goes to labor of the joint product of labor, land, and capital?
- (2) How is it that wages in a country like the United States are always higher than in England and still higher than wages on the continent of Europe?

- (3) Why do wages vary in different occupations and what fixes the relation between wages in different occupations?

The Bare Subsistence theory of wages of the eighteenth century answered only the first question in an age of poor laborers and manual labor little aided by capital, and it was an answer of despair. Competition for employment — even though labor was indispensable — prevented in that day any rise in the status of the laborer. But since then unlimited competition amongst laborers has ceased and they have acted in such a way that a Standard of Living Theory has replaced the Subsistence Theory. A man with a trade thinks he should have 50 % more wages than his helper. This is the "grade" standard. The relation of the spinners' and weavers' wages in any district is well known. They move together. This is the "trade" standard. A Fall River textile operative expects and gets a higher wage than one in South Carolina. This is the "district" standard. The New York City carpenter is much better paid than the country one. And even after all allowance has been made for differences in cost of living, it will be found that countries have different wage standards. Nevertheless, though the measure varies, the conception of a standard of living is now nearly universal.

Wages will not usually fall below the standard and they will not rise much above it, partly because employers will not bid indefinitely for labor and partly because the ordinary workman, once he has got his standard of life secured, will not as a rule press for more, though he will vigorously oppose any real or imagined lowering of it. A fallen dollar value of wages at a time of general lowering of price levels is not necessarily a fall in real wages or of the standard of life.

The theory that wages are influenced by the worker's standard of life is not inconsistent with the theory that wages correspond with the worker's efficiency for, though the worker fixes the standard, the employer sees to it that his efficiency

corresponds. The worker cannot raise his wages, however, by the simple process of spending more; the conception of the standard of life influences wages only by producing concerted action among workers who supply some particular kind of labor, and this sentiment is usually more influential in actuating resistance to reduction than in hastening an advance. The earlier wage theories ignored the social psychology of the worker completely. They assumed that he always acts from economic motives and always demands the absolute maximum. As a matter of fact, he does not, though in some instances the trade union leaders give this impression.

**Wage Facts.** — The Wage Fund Theory explained that the differences in various countries in the share of labor was due to differences in the flow of wealth to be distributed in these countries.

But the accumulation of capital is not the only important method of increasing the Wage Fund. It is now known that a rise in wages need not check the accumulation of capital and that the country or district that has workers of high standard of life, well trained industrially, and well managed in thoroughly modern plants may increase wages without touching on the profits of capital.

Summing up, then, a worker's wages or the share of land or capital is not determined with reference to one single principle.

All that any theory of wages can do is to list correctly the various things that influence wages and indicate their relation and importance.

Past theories and present experience suggest that in the long run three influences chiefly determine wages, viz.,

- (1) The volume of the flow of wealth in the country — we cannot divide more than the National Income — nor can restricted diligence on the part of the laborer or reduced enterprise on the part of capital or management do other than cut down the amount of the national income.

- (2) The relative abundance or scarcity of all the different agents of production — Land, Materials, Labor, Capital, Management.
- (3) The relative abundance or scarcity of all the different kinds of labor.

The chief immediate influence on wages is the worker's conception of the standard of life to which he is entitled and his agreement with his fellow workers to yield up his labor only for a wage maintaining that standard.

**Wage Changes.** — The relation between wage changes and standards of living has been confused in the worker's mind by the successive wage advances granted to labor during the war and its "cost no object" production activities.

Now that we are all facing the fact that it is impossible to divide more than "all-there-is," there is an inclination on the part of some sections of labor to insist that the method of "dividing" be changed so as to favor some of us to the disadvantage of the rest of us. This is particularly the case in relation to the railroad workers and some other occupations in which rules tending towards inefficiency were maintained by the Government at the expense of the tax-payer and shipper in the face of warnings which would long before have compelled any sensible business man to take in sail.

Some leaders of labor today loudly assert that it will not stand its pro-rata share of any necessary deflation and that the argument of cost of living used to boost pay repeatedly must not figure prominently or at all when the process is inevitably reversed.

**Living Standard an Effect — Not a Cause.** — Are wages really fixed by the standard of living or is the standard of living fixed by the wages? We have only to ask that question to answer it. Plainly what we get into the habit of spending depends upon what we get to spend. Our earnings, therefore, are not fixed by our habits. Of course, it would be pleasant if we could regulate the income we receive ac-

according to our expenses but that is impossible. A standard of living is just an established habit of spending which is derived from the level of income that permitted it. The standard is the result not the cause, and it never is a cause except that once existing it may influence wages by tending to maintain or stimulate the efforts of the worker, and except in the case of a monopoly of labor where it is possible for the worker to make the attainment of a given standard a condition of hiring. Such monopoly is the normal objective of organized labor and its principal weapon. But all proved expenditures at a given time are not permanent practices; are not habits. In periods of exceptional earnings, and therefore of exceptional surplus, many people instead of saving the surplus go far beyond their real living standards. True and abiding habits are more slowly acquired and not readily dropped, while the excess expenditures of a boom time are more easily relinquished, though naturally with reluctance, and cause no real impairment when they cease.

**The Laborer Wants a Rising Standard.** — Along with the laborer's faith — more often only his leader's creed — that his wages need not suffer if only he maintains his level of wants — and that organized resistance can attain this — he sometimes holds the further conviction that whatever advantages in the purchasing power of his money-wage have in any wise accrued to him, through particular scarcities or by some special stress in public need, say in dye-stuffs or food products, or steel or shipping or railroads, etc. or as in England, through profligate war borrowing for the holding of wages artificially high — these advantages he may and ought to retain, irrespective of all reverses of change or sag. His money wage as prompt as he can make it is to rise as the price of his product advances, but all the while to remain stiff against fall if prices relapse. The sequence of events after the war in the labor world was as follows: The argument that was valid to support the workmen's claims for a



higher money wage during the war his agents repudiated promptly, when it pointed to a lower money wage. The money must go up to protect his standard of living and it must stay up to allot him a higher standard. This he interpreted as keeping whatever by a hard fight or by temporary high scarcity value he had won. Nor was he altogether wrong in thinking that, should prices rise again after any money-wage concession on his part, his earlier fight will be again to win. As a matter of fact, the rising standard of living as an objective is socially and economically desirable and it is *only wrong steps to attain it* and unfounded hopes about it, that are inadvisable.

**The Employer Wants no Price Reduction.** — This wage-earner's program was, however, not so far different from capital's desires. Some employers were also busy in resisting any fall in their selling prices through this same method of limitation of output and of sales and learned its futility. Both such laborers and such employers declined to accept lower prices on what each had to sell. Each was equally zealous to retain for himself a special and peculiar advantage out of any rapid shift in the purchasing power of money. Each wanted to be exempt from the necessity of accepting less of the money that per unit is buying more — the employe having, however, his particular excuse that this more valuable money went, after all, no further in discharging his existing debts. It means trouble for everybody when prices become unstable and the shifts of the last three years do not stand alone. It is their unusual range which makes them especially useful as illustrations of wage principles.

**The Price Shift Makes the Problem.** — All of the foregoing are aspects of the dissatisfaction and friction attending a shift from a higher to a lower price level. Both the laborers and the employers insisted a short time ago on terms of sale that left few sales possible either of labor services or of goods; therefore a small output was inevitable and therefore

a lower level of the derived wages and profits. Whenever the wages and the sales prices of particular products are held out of ratio to the general level of prices, restricted sales become inevitable — hence a restricted output of the particular goods adapted to exchange against them. All this is merely another way of saying that where the prices on some products become relatively low, they suffice to buy but little of those products that remain relatively high; that, therefore, few of these high products can find a market; that forthwith there arrives unemployment and the attendant limitation of production. Then the factories close or work short time.

**Who Makes the Price Shift?** — There is, then, no understanding of the wage-earner's point of view but by recognizing that he also has been busy in the same line of tactics as the rest of us. Rightly enough he insists that even if in other respects he is equally responsible with the rest of us for current trouble and unemployment, the responsibility is not his for the recent necessity of this profound shift in prices. The wage-earners, his spokesmen declare, are not the people who preside over the credit and price and business policies of the country.

The laborer asks for permanent employment — thinks himself entitled to an industrial and financial organization that shall provide it, and that afford a wage steady in its purchasing power over the means of living. But still — like the rest of us, wanting all that he can get — he, like the rest of us, wants more than he can get; is seeking to make the general sag in prices a source of sure gain to himself with relation to whatever units of product he turns out. He demands more of other people's products for each one of his. And forthwith the thing reacts to take away his job — precisely as a similar policy on the part of the employer reacts to deprive the employers of their markets.

**Laborer Partly Right, Mostly Wrong.** — The laborer is right in his view that to acquire the wisdom to hold general

prices stable is *the job of the business and financial world* — that the responsibility is not his and the penalties of failure not primarily or principally to be borne by him. In expecting, however, that out of the slump in prices that he neither contrived nor permitted he shall not only hold fast to his job and to its old purchasing power but shall have also an undiminished number of dollars at their new and higher level of purchasing power — he is demanding something both unfair and impossible. His money wages have to fall in conformity with falling prices. The more vigorous his resistance, the worse are his penalties and the larger the collateral harm. He simply vetoes production and reduces that variable fund — “all-there-is” — out of which his satisfaction must come.

**A Two-Sided Adjustment.** — But just so must his employer's prices fall, and do fall — else at this point also the readjustment lags. Reduced wages without reduced prices are a gift to the employer — with no more jobs for the laborers and with no more goods for the public. But restricted production the employer can stand for a time at least. Lack of employment the laborer cannot stand. In a contest of endurance, therefore, the laborer must lose.

Wages will have to fall. Labor must take the money wages that are proportionate to general prices. Yet, the social system the wage economics of which we have just outlined must, if it is to justify its own continuity, *see that the employer's policy is equitable and is directed toward the general welfare.* It will be so if the employer directs his greater ability and intelligence in aiding the worker to maintain his standards by teaching him *how to increase his efficiency*, and if the employer himself is desirous of securing just a moderate recompense for excellent service. Thereby the employer will preserve and increase the greatest market the United States now possesses, namely, the unlimited wants of its working people — practically all of us — for only about six per cent of the adult population actually abstains from production and lives

on its reserves alone. Only if the employer does this with zeal and discretion can he avoid having to meet many ill-considered proposals in our day for changing our social system.

**Capital's Duty on Wages.**—It is the duty and privilege of capital to do four things in the premises:

(1) To inform and convince the workers of the facts of the business and the inevitable economic consequences *if a purely selfish course is pursued by either or both sides*, and to do all it can to protect the workers' interests;

(2) To see that a proper regard for the public interest characterizes the policies of itself and associates; and that labor also is reminded of this factor;

(3) To show enlightened workers the path to higher wages through stimulating interest in their jobs and the resulting lower cost of production;

(4) To organize capital's relations with labor on a basis permitting the fullest self-expression by the employes, individually and collectively, about all of their interests.

**Equilibrium in Industry.**—The essential thing in balanced industry is not the general level of all wages and prices, but *right relations between wages and prices and between the different groups of producers, so that they can trade with each other.*

The wage-earners as a class are interested in the restoration of the normal state of balance, in which all of them can be steadily employed. It is not to their advantage to have wage rates so high that large numbers of workers cannot have employment, or can have it only part of the time. It is unfair and oppressive to the consumers who are obliged to curtail their purchases, and without benefits to the wage-earners as a whole. It is not even beneficial to those who are so fortunate as to have employment for it keeps the cost of living to them above the natural level. It is an artificial situation which cannot be permanently maintained.

"Even in conciliation and arbitration the central difficulty is to discover what is the normal level from which the decisions of the court must not depart far, under penalty of destroying their own authority."<sup>1</sup> The Packing Industry under a Federal Administrator was an outstanding example of the impossible and untenable position into which, with the best of good-will on the part of all concerned, an industry may be led by arbitrary awards which, though consistent among themselves, depart far from the normal level and ignore the normal economic trend to their own ultimate destruction.

**The Public the Real Employer.** — There are several misconceptions of the wage question which appear persistently in everyday discussion in the plants, and even in the minds of arbitrators. One is the common assumption that wages are an issue between employers and employes, with nobody else involved. Of course, the public is the real paymaster, and in the last analysis the public is composed chiefly of the wage-earners themselves. *Whatever they do to the public they do to themselves.* The employer is simply an intermediary who plays a useful part by organizing industry and undertaking to pay a fixed wage, but unless he gets full reimbursement from the public he is soon out of business.

Another common mistake is that which lays all emphasis upon money wages. The value of money is in what it will buy. The standard of living is not fixed in the wage scale; it consists of a certain standard of comfort, certain supplies of consumable goods. The real compensation of the worker for his own labor comes in the *products and services of others*, and it is highest in commodities when the right relation exists between each worker's wages and those of the other workers who provide these commodities.

**Wage Fixing in the Plant.** — Apart from any particular systems which have been devised to increase labor efficiency

<sup>1</sup> A. Marshall, "Principles of Economics," 7th edition, page 628.

and to reward it, the fundamentals of compensation in the plant may be analyzed as follows:

A workman's actual earnings should vary, and in some wage systems do vary (amongst other things), according to two personal factors, namely, ability and diligence. His rated wage is usually determined solely by his ability, or the kind of skill he possesses. The wage problem is therefore primarily that of

- (1) Determining the grade of ability or technical skill.
- (2) Placing the crafts, trades, tasks, and labor services, in their proper grades as to skill, hazard, responsibility and regularity.
- (3) Determining the best means in each case of stimulating the worker to due diligence.
- (4) Insuring a wage return to efficient men in each grade which will permit of a reasonable standard of living and adequate leisure. The law of supply and demand alone will not insure a just arrangement in all cases, and regard must also be paid to the scales of wages paid for similar kinds of work in other industries and variations all over the country in the "district" standard which official "labor" would often like to ignore.
- (5) Seeing, that, even when all these conditions have been met, the incentive is not carried to extremes to the detriment of continued efficiency of performance. This may be caused by induced fatigue and consequent gradual impairment of physical fitness.

"Stunts" are not a safe guide to shop and industrial daily performance, and enthusiastic but inexperienced authors of these should not be given the very important task of dictating and enforcing modern production wage standards

**Wage Fixing Under Statute.**—Similar provisions to the above in the Cummins-Esch act and a proposal to amend it so as to impose upon the Railroad Labor Board the duty to assure a "living wage" are discussed by Frank H. Dixon, Professor of Economics at Princeton and a specialist in transportation. He says:

"No mathematical rule has been discovered for the determination of a reasonable wage. But so long as we maintain our régime of private industry, one of the determining influences that must be accepted by any wage-adjustment board is the first-named of the seven conditions listed in the statute, 'the scale of wages paid for similar kinds of work in other industries.' Granted that the statistics of wages have been honestly and intelligently gathered and that no manipulation of wage rates has occurred through undue pressure of combined capital, the price that must be paid for similar labor in the open market is one of the conclusive factors in determining the reasonableness of a prevailing wage standard. Moreover, in connection therewith the Board should adjust wages in harmony with the industrial conditions of each locality. Standardized wages effective over wide areas can with difficulty be defended on any economic basis. Their reason for existence is political and strategic. Testimony submitted by the employes themselves in Chicago recently is a virtual recognition of the need of restoring those differentials between one section and another that were largely destroyed during the period of the national agreements."

The provisions of this law seem to be comprehensive and reasonable. It is right that conditions peculiar to railroad service should be taken into account, but there is no justification for setting up a special standard of living for railroad employes. The conclusive reason against it is that other people, many of whom have a lower standard of living, would have to pay the bill.

**Psychology in Wage Fixing.** — It is rarely indeed that the five conditions enumerated are fully met. As a matter of fact, organization inefficiency and economic friction usually prevent the adequate consideration of all the factors of the wage problem, and the customary established wage and day's work delivered for it in each case is far from an ideal result. Indeed the plainly avowed standard of not a few who profess to have the workman's best interests at heart is "all the traffic will bear and then some more."

They demand a high standardized general wage irrespec-

tive of the quantity or quality of the individual performance, and make a strategic retreat only when the economic results are too plainly evident to be longer ignored. This attitude does little to secure "diligence" and promote efficiency on the part of the workmen, or to place the wage problem on a higher plane of thought and action on the part of the employer. Yet in spite of all discouragements, ignorant opposition and the lack of ability to tackle the problem effectively from the employer's side, the initiative in this matter must come from him. He must educate himself and his supervisors in industrial economics and handle tactfully the many human factors involved.

One can understand but one cannot defend labor's objection to frank but tactful study of the factors of the workman's efficiency. Nearly all wage-rating disputes turn upon a difference as to what are the facts, and the workman's natural stand in a dispute is to conceal these facts, though frequently he does not really know the possibilities himself.

Common sense would suggest that studies in modern production possibilities should be conducted quite apart from the question of rating.

There are decided objections, however, to rating and working the employe as if he were a machine; and they are not in the least disposed of by giving a wage which is the envy of all less energized workmen. Yet, exceptional earnings are frequently quoted as though they were a conclusive argument. There are quite a few things besides earnings that go to make a contented and stabilized body of workmen.

Any tendency to push initiative and incentive to undue limits is much reduced when those who set the standards of working and those who manage the work are one and the same organization. For then those responsible for mistakes must continue to live with all their mistakes, and must eventually produce product and profit with general all-around harmony and satisfaction.



The moment a brainy, capable group of foremen under a wise far-seeing management get their workers in accord with an honest open attempt to find out "the truth" about their daily tasks and troubles, that moment does the sun begin to ascend on the industrial horizon. A great good-will is created which will defy the impact of the outside troubles so often imported into restless organizations without definite clear-cut policies of management.

**Wage Disputes.** — A literature has grown up around the principles and practice of settling wage disputes through arbitrators when the issues have gone beyond the possibilities of direct agreement amongst the parties immediately concerned. Sometimes, indeed, arbitration is resorted to as a matter of course and without any attempt at possible agreement between the parties. The latter practice is bad because it keeps the employer and employe at arm's length indefinitely, and there is little progress in the mutual education about each other which they need. In connection with arbitration and the social conditions of employes, the items "standard of living" and "cost of living" have been theorized about so much and estimated so frequently according to the intuitively agreeable desires of the inquirers that they have often been absurdly overestimated.

"All-there-is" divided by some of the "minimum subsistence standards" leaves nothing at all for several millions of our population. This in no way daunts some of our social improvers who are not in the least concerned "to make men dear" by "making goods plentiful." Not until a decent respect for and knowledge of the National Income and how it is actually produced and divided obtains in wage disputes, will we have settlements that can stand, that are fair to the rest of labor — which is the public — and that will point the way to achieving still better social conditions.

In this connection we may quote the remarks of Mr. W. A. Appleton, a distinguished British Trade Union Leader, on

the consequences in his experiences of ignoring principle and economics in wage disputes when it appears that force would procure what was wanted in any case.

"Man should demand a wage that will represent fair payment for the effort made and a fair share of the results achieved. The effects of deviation from fairness, either by employer or employe, disastrously disturb both relationships and trade. It is impracticable to lay down a law, universally applicable, that wages shall always be equal to food prices. That would be fixing wages without regard to the value of the article produced. But wages should be fixed so that, at the worst, they would afford maintenance, and at other times not merely maintenance, but comfort and a promise of ultimate safety to those who practice thrift. To secure this, both employer and employe must be prepared to consider such adjustments of wages, both up and down, as may be necessary for the ultimate safety and prosperity of industry.

"Ca' canny" is the least successful way of remedying social and industrial evils. I do not wish to eliminate the right to strike. That right is a national safeguard, and anyone who seeks to suppress it, is an enemy of his state; but I do want to see all points of difference discussed intelligently between the people who are really concerned; that is, between the employers and the workmen.

"It is for this reason that I have always advocated the provision of voluntary machinery for the discussion of difficulties and the prevention of disputes. Sympathy and intelligence can solve most of the industrial difficulties with which we are beset."

Any policy of wage settlement seeking to attain relative peace and satisfaction must accomplish the two ends set forth by Professor Herbert Feis<sup>1</sup> "First, it must represent convincingly the effort to divide the product of industry so as to satisfy the most widely held conceptions of justice in the industrial system. Second, it must contribute, wherever it is a factor, to such an adjustment of industrial relations as will command the voluntary support of all groups whose

<sup>1</sup> Herbert Feis, "The Settlement of Wage Disputes," p. 9, 1921.

co-operation is necessary for the maintenance of industrial peace." It is widely held sentiment and broad considerations that should influence. Obviously an ultra-liberal settlement may greatly please one section of labor and simultaneously disturb the relative standing of other important sections so seriously as to cause general dissatisfaction. In war times with Liberty Bonds — not productivity — guaranteeing wages and still more wages, arbitration became a farce and merely a screen for complying with one unjust exaction by labor after another.

This completes a working outline of the economics of wages which labor and capital and the agents of capital should thoroughly understand if there is to be intelligent co-operation. It will be seen that it does not, as some hope and others claim, leave the workmen's fate entirely to economic determinism. The actual quality of our economic life and of the wage and other decisions transpiring in it will be influenced by the moral and spiritual ideals of the participants, by the wise social use they make of economic advantages accruing, often involuntarily, to one side or the other and by their respect for the welfare of humanity as such.

## **CHAPTER XVII**

### **PROFIT-SHARING: OWNERSHIP-SHARING: MANAGEMENT-SHARING**

The wage-earners will only continue to subscribe to a doctrine of high production if they trust to the action of the distributive mechanism to bring them a fair share of the resulting product. And any continued increase in the absolute amount of the product of industry taking the form of profits will be likely to lead to a considerable measure of inequality of wealth; unless the amount of accumulation and investment on the part of the wage-earners is largely increased.

**HERBERT FEIS**

## CHAPTER XVII

### PROFIT-SHARING: OWNERSHIP-SHARING: MANAGEMENT-SHARING

There are several remaining topics bearing upon better relations of capital and labor which should receive the careful consideration of the financiers, employers, managers and executives of all grades who function in our industrial life and whose policies and practices largely determine its quality.

It is to these groups principally that we must look for "the will to do" and for the means to do. We have already shown that where the will-to-do exists, is accompanied by adequate research and is followed by true vision, the means consist of things which are in themselves just "good business." Nevertheless such means will never be used by unenlightened and unenergized executives, and seldom by competent ones if they function under the restraint of indifferent or reactionary capitalism as some of the latter have to do.

The technique of plant and labor management is the common equipment of all industrial supervisors and has already an ample literature; consequently it has called for little notice in this study. It is the things not absolutely necessary for securing production but which greatly influence its quality and the spirit of the co-operation of capital and labor which we have stressed. These things, too much neglected, are what we have elaborated upon and have endeavored to reduce to practicable suggestions.

Amongst the remaining topics of this nature profit-sharing, ownership-sharing, management-sharing, unemployment and

immigration should receive the especial attention of capital and its representatives in order to round out satisfactorily their conception of the labor problem and of capital's duty to the wage-earner. The three first mentioned occupy the present chapter and unemployment and immigration the two following ones.

**Why Profit-Sharing?** — The feelings, the thoughts, and the theories of capital and labor about each other, and about wage and price changes — their causes, effects, and justification — have been fully set forth in the preceding chapter. We have seen that payment wherever possible according to results — for what is actually accomplished — and payment frequently and steadily is what the wage-earner wants and what the employer should strive to attain.

"If this is so," we are asked, then, "Why Profit-Sharing?" Because, in brief, if the inefficient or unjust distribution of the profits of industry is, as claimed, the immoral feature of the "capitalistic system," then, it is argued, a scheme of spreading these profits amongst the wage-earners should remove the weak spot!

That is why some people pin all their hopes to profit-sharing. Can it yield this result? Does it do so? And if not, why not?

In the light of the previous chapters this is a one-sided and inadequate view of the labor problem, which has many angles. Nevertheless, though profit-sharing cannot be a panacea, it is worthwhile to examine the essence of the proposals and experiments from which so much has been expected.

**What is "Profit"?** — Our previous analyses of the expectations of capital showed that profit is the surplus which remains after all working expenses and interest charges have been met. Gross surplus may be regarded as usually composed of three elements, namely; Compensation for the Risk assumed; Compensation for Management, and surplus before

tax deductions. We have already seen that to strike out interest or to greatly curtail its amount or its security is to kill the goose that lays the golden eggs; to discourage the savings of capital; to reduce the number of self-denying reservations from acquisitions justly obtained.

We have also seen that compensation for management, while it may be excessive in a few instances, is as a rule, too low rather than too high, and that we need better and more highly valued management. The world has learned that wherever socialized industry has touched this nerve to the quick, it has met with disaster, and speedy paralysis of the economic body has followed. We need not dwell upon the vivid contemporary illustrations of this truth. The lesson is that *joint responsibility is separated from individual initiative only at our peril*, and that it will not be possible to dispense with profit until we are able to accomplish a task yet beyond our powers: — namely, to fix the “just” reward of capital in industries necessarily speculative as so much of our business unavoidably is.

The quest for profits to share concentrates therefore chiefly upon the element of net surplus. Assuming that through free enterprise, competition, and private initiative and ownership the expenses and financing of a business are held to reasonable amounts and that graduated taxation of income causes a fair contribution to government, the questions to be answered are: “Can we have a common method of remuneration in industry?” “Is a wage-plus-profits reward for all grades of industrial service practicable, assuming it is as desirable as some claim?” and “If so, what is the best scheme for obtaining it?”

**Co-operative Societies Are no Criterion.** — To answer the above questions demands some historical perspective. It also involves the elimination to begin with of all kinds of “payment by results,” bonus and other systems which sometimes approach closely to profit-sharing but which more



often possess nothing of that element. In this connection we can dispense at once with co-operative societies in the rôle of "Saviors of Society." These claim to attain "Production without profit," but there is little to be learned by industry at large from that quarter. Such societies are severely limited in their possibilities; although amongst frugal peoples they have attained a large volume of transactions *in limited lines of commodities*. They are essentially organizations of trading and manufacturing consumers who buy before they sell and sell before they make, but they confine their operations solely to commodities in common use amongst bodies of highly concentrated consumers whose custom is usually already pledged with service at a minimum.

In addition the comparative weakness as economic units of associations of consumers has been especially manifested in their failures regarding management and discipline. Skill in management is vital, and co-operators have always undervalued it and underpaid it. Judging by the continuing jealousy of the ordinary wage-earner of the "wage" of his brain servants, co-operators will continue to pay only for inferior talent and to lose the best ability. They are likely to be always weak in enterprise because they do not choose to "risk"; hence they follow rather than lead industry.

"Profit-Sharing" is most likely where "production for profit" is a major objective — though not the only one — and where the very best initiative is available for that purpose.

**The Beginnings of Profit-Sharing.** — Profit-Sharing began over a hundred years ago as the hobby of one or two benevolent employers. Since then, however, the whole economic outlook and the status of the wage-earner have so greatly changed that the early forms are only of historic interest. Yet some of the earliest reveal a truer perception of "what the worker wants" and of how he should get it than some of the latest schemes. One famous example will suffice.

Profit-Sharing in industry was first introduced in France

and that country was the original home of co-partnership also. The establishing of the system there was due to certain favoring circumstances which have continued to obtain more or less. These were the comparatively slight mobility of the French wage-earner, the marked individuality of its employing investors, the tendency to conserve their identity and the numerical weakness of French trade-unionism. The classical example is that of Edmé Jean Leclaire, master painter of Paris and "the father of profit-sharing," who employed 300 persons, 43 of whom he regarded as permanent workers. Among the latter he divided in 1843 the sum of 12,266 francs, invested in the business under an employes' benefit scheme, from which this small group of favored employes alone drew increasing profits up to the year 1870 when the profit-sharing was extended to all employes regardless of their length of service, but still recognizing the permanent section by special privilege.

The method of division of profits is now as follows: 5% is first paid on the capital; of the remainder 15% goes to the managing partners who carry unlimited liability under French law, 50% is then distributed as a dividend to all workers in proportion to their time wages, and 35% goes to the employes' benefit association of permanent workers which is regarded as a special partner in the business. The managing partners also receive a salary and the permanent workers alone have the privilege of electing new managing directors periodically from the general body of employes. It will be seen that this experiment, which has continued and developed for over seventy-nine years, is both a profit-sharing and a management-sharing one, but with special privileges and control features accorded to the permanent and naturally more responsible and intelligent employes, who share in ownership as well. The whole business today employs less than two thousand workers operating, because the nature of the house painting and decorating business, in small groups of

competent tradesmen and assistants in a country where both ambition and opportunity to leave their occupations is limited for working men, and where the spirit of the people is in general characterized by an intense conservatism. The chief cause of industrial unrest is not money as we have seen, but status, and many things go to furnish the remedy in which profit-sharing may be wholly absent.

A survey of the professed motives of early and recent advocates and practicers of some form of profit-sharing is instructive. Leclaire and others of his time in France were big men furnishing lofty ideals and an inspiring leadership which reached down to the wage-earner and enthused him in turn. But other plans have ranged from pure altruism without saving common sense to gross egoism.

In between there was, and is today, a great variety of "cute" business schemes seeking chiefly that capital as well as labor shall have larger total profits. These often make non-unionism a condition of participation and inhibit the fullest interest from their start.

There is no harm in any frank scheme for getting the willing assistance of the wage-earner in making goods plentiful and men dear and in doing it on a strictly business basis. The wage-earner will usually offer no objections on that score, for in business exchange both giver and getter expect to gain. That is the very essence of a "DEAL" and the deal is the essence of business. "Good business" is the art of selecting probabilities and "poor business" is the result of taking chances on what are merely possibilities. In the eyes of the wage-earner and his counselors most long-deferred rewards are "poor business," and there is no particular virtue to him in profit-sharing until he is educated to discriminate, to appreciate and to wait.

**Profit-Sharing in Great Britain.**—In Great Britain the profit-sharing movement began in 1865 and up to the end of 1919 gave birth to 419 schemes of which 196 or slightly

less than one-half, have been abandoned for one cause or another. Of the remaining 213 schemes no less than 36 are run by gas companies which form a special group, because they operate on a sliding scale towards the consumer which practically guarantees a profit. This is a condition which does not obtain in ordinary commerce and the latter therefore, though often cited, afford little guidance.

Many of the British schemes had no connection *with any form of industry*, but related to stores, clerical and sales occupations. Only 15 of those started in Great Britain affected more than 1,000 workers and 54 schemes had less than 100 employes each. By no means all employes are included and, as in France, it is clear that co-partnership in Great Britain is really a small experiment carried on chiefly with a few picked employes and of hardly any significance in the industrial life of that country.

Candy, cocoa, chocolate, shoes and clothing are represented in a relatively small way, but the great basic industries — mining, cotton, engineering, shipbuilding, and transportation — are unaffected.

Why? First, profit-sharing has had and still has the unremitting hostility of organized labor in France, England, the United States, and in fact universally; indeed in every case profit-sharing has been advocated solely by employers and criticised by labor in general. Second, forty-nine of the English schemes were admittedly abandoned because they became a problem of "loss-sharing"; *there was no profit to divide* and sometimes even a reduction of wages was necessary and was resented, which in the absence of a profit-sharing scheme would have aroused less feeling. Third, in 16 cases employes lost interest; in 40 the management or the ownership changed hands and in 91 cases the schemes were abandoned because the employes or the owners were dissatisfied.

The employes' complaint was almost invariably the *surprising smallness of the dividend* distributed. As we have

shown throughout this study there is a great deal of economic education still to be done amongst the rank and file of industry. The labor leaders and utopia-mongers *will* exaggerate the profits of industry and influence by hyperbole, and the worker likes "to think it's so," particularly if he has a real or imaginary personal grievance on his mind. It will never dawn until owners and managers love and strive to "tell the truth, the whole truth and nothing but the truth" about industry, the people in it, and its supposed profits and until capitalists everywhere place themselves in such a position that "it can be told."

Nor must another formidable obstacle be overlooked. In the earlier part of this volume we analyzed fully the claims of capital, labor, and the public about profits and pointed out serious exaggerations and errors on the part of labor.

Unionism's claim and protest today is that no matter how unobjectionable in form, profit-sharing fosters a sectional interest which is injurious to labor's interest in wages and to collective bargaining as the unions practice it. That it is dangerous to the status and present aims of labor union leaders may be true, but at its best it may not be inimical to the interests of the organized labor of the future.

**Profit-Sharing in the United States.** — Very few of the examples of profit-sharing in the United States can strictly qualify as such according to the definition of the International Conference on Profit-Sharing held in Paris in 1889, viz.; "Profit-Sharing is an agreement freely entered into, by which the employe receives a share, fixed in advance, of the profits." This rules out all bonuses or gift propositions now loosely classified with profit-sharing and all compulsions of every kind to which a tentative reward is attached with a rather insecure fastener. Nevertheless, there is no call for a fastidious doctrinaire attitude in the premises. All experimentation is worth watching and analysing for its significant features and results.

“Profit-sharing” and “ownership-sharing” differ in theory by the fact that the profit-sharer has a share only in the cash profits of his employer over a given period, and may carry off his share in its entirety; whereas the co-partner — practically a European institution — must take some of his profit in the form of investment in the business and receives also some share in the management. The co-partner naturally tends to become less willing to leave his job, and this is a bad mark for the practice in the eyes of official unionism. Various forms of special inducement to start investment in the business are in use in Europe and the United States, but in America at least, the great body of the 41,000,000 gainfully employed who are wage and salary earners, quite apart from union influence, show as yet little interest in assuming risk as well as in accepting privilege and are decidedly lukewarm, in industry in particular, towards any form whether in wages or profits of long-deferred reward.

Individuals amongst employees will always furnish exceptions in the matter of qualifying as savers of capital. It is found that a considerable minority will readily and spontaneously avail themselves of all kinds of stock-owning and other thrift opportunities, but that the general body of workers in America as yet react as stated.

It is largely a matter of education, of growth of confidence in capitalism, and of environment; and free experimentation should be welcomed without predicting any miracles or disasters. In boom times, or in times of labor scarcity in the more recently industrialized places, the ambitious and restless energy of the American results in a much greater mobility of labor than in other countries and in unwillingness to tie-down through any scheme, however attractive, sound and liberal, to one place, one employer or one job. Mobility of this kind is no reflection upon employers. Healthy discontent, as we have shown already, is in the very air the American worker breathes and is no menace to society. In

foreign countries where the outlook seems bleak to labor, it does all it can to intrench and economize, hence the much greater vogue of co-operative societies, the more intelligent use of them there and the greater popularity of thrift measures which the American unwisely disdains. Throughout this study of many aspects of industrial relations the position has been taken that each new departure in regard to them should justify itself on two sound business grounds; either it must draw capital and labor into greater accord — improve their feelings about one another — or it must promote the efficiency of production.

Judged by these standards does profit-sharing as a whole in the form of a cash distribution *out of* profits rather than *according to* profits justify itself? The conclusion of the writer is that it does not; notwithstanding the proved success of what are merely a few special cases.

Ordinarily the profit-bonus receiver soon comes to look upon it as a yearly gratuity and when it fails to materialize he is inclined to find fault. In addition his long-deferred extra reward is remote from his daily performance and fails to stimulate it, and when his reward vanishes altogether he is discontented just as he is when wages cease or are necessarily reduced.

**The Psychology of Ownership-Sharing.** — Cash profit-sharing accomplishes little in reducing industrial discontent because it does not change in any degree the status of the wage-earner. It merely implies that labor will perhaps receive a variable, uncertain and deferred addition to its income, and that over this possibility it has no control in any degree. Out of the fruit of the business the interests of the ordinary stockholder are first taken care of and frequently, and often necessarily, "there ain't goin' to be no core." To this, however, the wage-earner will make no objection as a rule if his employer will avoid putting him in the false position of possibly getting something which he did not earn.

Cash distribution of profits to partners who have not qualified by contributions means frequently that wage-earners, most of them with no desire whatever for stock-ownership and no knowledge of the rights and obligations involved, have these responsibilities thrust upon them by well-meaning employers. But it is wrong first to bestow and then try to enlighten the worker as to the meaning of the gift, whether the gift be cash profits, enhanced wages, a shorter working day or company stock.

The primary need here, as in all industrial relations, is education towards appreciation and desire. As already illustrated in this volume, the employe sincerely desires a higher status than that of a mere wage-earner or purveyor of a marketable commodity termed "labor." The greater power and importance he seeks means greater obligation. The new functions he assumes demand new knowledge. The higher earnings he attains mean that he must face greater risks. The fact is that a large proportion of our 41,000,000 gainfully employed people are not yet far-seeing enough to respond to these challenges, in industry at least, for a deferred reward. Nevertheless genuine ownership-sharing is a most hopeful development, far exceeding in its possibilities capital's more numerous but less fruitful gift propositions.

The fundamental condition of success is the education of the individual wage-earner towards a sound comprehension of the responsibilities involved in stock-ownership. This is necessarily a slow process. The only guarantee for the desired success is to teach labor to sacrifice something for the greater good it desires to attain, and contributory ownership, the writer believes, is the best means of developing this feature.

It involves six successive steps, namely appreciation, desire, and effort, followed by automatic and natural selection of the wage-earning stockholders, then real control by real owners, a true investment for higher wages, and a



gradual elimination of the distinction between owner and worker.

In fact, the process is simply another illustration of the psychological ladder of achievement with its six ascending rungs — Attention, Interest, Vision, Action, Repetition, and Habit.

**Methods of Ownership-Sharing.** — The three chief ways by which the ordinary wage-earner may acquire stock in a business are 1. Direct Purchase, 2. Profit-sharing allowed to accumulate as capital in the concern with corresponding issues of stock to the employe. 3. Gifts of stock to workers in consideration of length and character of service and with or without any contribution to the company's capital.

The combination of profit-sharing without any actual distribution of the profits in cash but with automatic accumulation of it in the capital of the business is the most educative and successful of the methods named. The industries at Guise in France and the London Gas Companies are outstanding examples.

It is best of all when the worker makes his capital contribution in cash directly and intelligently, but experience shows that few workers will do so unless offered stock terms much superior to those which are afforded to the public.

**The Taylor Plan.** — In Great Britain, outside of the gas companies with their protected profit there is practically only one straight co-partnership scheme *of long and successful duration*; that of J. T. and J. Taylor, Ltd. Woolen Cloth Manufacturers of Batley, Yorkshire. Begun as long ago as 1892 by Mr. Theodore C. Taylor when he became the sole owner of the business, it was the climax of his altruistic ideals as an employer, his chief desire being to improve the status of his employes. From 1892 to 1896 it was, like the much older Leclair scheme, confined to Managers and Foremen, but in the latter year it was extended to the employes — about 2,000 persons in all. The profit remaining after ex-

penses, fixed charges, wages, and 5 percent on capital have been paid, is divided at the same rate percent between wage-earners and capital and about 500 of the adult workers with over 5 years service get a double bonus. The bonus is paid wholly in stock, only the dividend on the stock being distributed in cash. The ownership-sharing in this concern has been recently combined with an effective Employees' Representation Plan on joint-conference lines similar to those advocated by the writer. This conference covers all matters relating to employment and working conditions, and being virtually a conference of representative owners as well, business affairs are also discussed as called for. With considerable labor of minors and female labor of relatively short duration this Plan tends to greatly strengthen the permanent employes just as the Leclair scheme does.

**The Lever Brothers' Plan.** — Lord Leverhulme's company thirteen years after the Taylor scheme was installed approached the subject of ownership-sharing solely from the angle of using it as an incentive to increase efficiency of production, it having been satisfied by trials that any straight wage incentive would not improve results greatly.

The method adopted was that of a "partnership certificate" plan with numerous restrictions and counter-checks which have proved exasperating and unpopular with a number of the employes.

This plan holds down real employe stock-ownership to a maximum of less than  $2\frac{1}{2}$  percent of the total capital. It is essentially a paternally conceived and administered scheme aiming primarily at increased production and causing larger earnings through bonus stimulations of a complicated character. It provides no real change of status for the wage-earner and it offers a maximum of weak points for union criticism.

These two English schemes are typical of the spirit and method of others. They illustrate the broad and the restricted view respectively of ownership-sharing by employes

as held by capital and the long and the short results which correspond.

**United States Steel Corporation Plan.** — Of the numerous ownership-sharing schemes for employes in the United States none is more far-sighted and promising than that of the United States Steel Corporation. It will reward close study by all representatives of capital. If this scheme is followed by a correspondingly liberal share of democracy in the employment relation, it will place the Corporation in the front rank of liberal enlightened capitalism. Under the plan started in 1903, the Corporation advances money at 5 per cent interest for the purchase of stock, offered at a discount, and accepts repayment by installments over a period of three years.

Considerable bonuses in addition accrue to employes who retain their stock and also their connection with the Corporation. After being fully paid up the owner may sell out, if he chooses, but extra dividends accrue to those who retain their stock. The Corporation's plan is one of the few where ordinary stock is offered without irksome restrictions tied to it, and it has been a matter of surprise to keen students and directors of industrial relations that such an excellently administered business, both for stockholders and in many employe relations, should exhibit an inherent distrust — we believe an unjustifiable distrust — in its lower wage-earning employes, and should ignore the psychology of the worker and his needs at the very points where his personal interest is natural and keenest.

**Swift & Company's Plan.** — As a further example out of many hundreds in use, of employe stock-ownership plans in the United States, that of Swift & Company,<sup>1</sup> meat packers, is briefly summarized here.

The Company had at July, 1922, over 45,000 stockholders. Nearly 17,000 of these were employes with fully paid-up holdings of nearly \$24,000,000.

In addition to these, 4,000 employes were acquiring stock by an installment plan on which shares are sold at the market price, on a ten percent cash payment. The balance of the payment is spread over two years and on this the employe pays interest of five percent while receiving dividends of eight percent. The stock-savings plan which 17,000 persons have used, gives employes of six months service a chance to purchase a limited number of shares, between one and five and varying according to earnings, and to pay for the stock within two years.

**Management-Sharing.** — The very frank participation of workers' representatives in employes' assemblies of the democratic type advocated and described by the writer is in no way regarded by them as "Management-Sharing" in the sense of responsible participation in the conduct of the business — in executive affairs. Loosely phrased implications that management powers are conveyed are to be found in some representation plans and the press frequently confuses "representation" and "management." In the best plans the employe manages — usually very competently — his own business, but not that of the concern he works for.

There is yet much to be done, as we have shown in these pages, before American ownership and management has begun to give the worker "what he wants" and what it is entirely good for industry, capitalism, and the public that he should have. Ownership-sharing without any control is meaningless and exasperating, and control without ownership is foolishness. Yet capital has perpetrated both of these mistakes in some instances.

Management should concentrate diligently upon the psychology of the worker which we have set forth at every stage of this study, and upon his natural desires. It should know them, understand them, sympathize with them and then work out adequate satisfactions with little or nothing of the gift element in them. Some of the most disgruntled and

disillusioned employers are those who have foolishly given much to their employes that the latter did not want and have withheld elementary rights from the same individuals.

The American worker in general has little desire and practically no equipment for a place at a directors' board, for responsibility, and for intervention in running the business as a whole. He is also far from approving or desiring the ambitious schemes of some of our "sociologists-in-a-hurry" for projecting the wage-earner willy-nilly into such a position.

Those ideas of self-expression and self-determination in ownership, which they insist are for his good — even if he doesn't know it — are put forward in part by people who are often astonishingly ignorant about industry outside of what is printed and talked about it in a restricted circle. For the predominance of the amateur in this field, capital has itself to blame. Progress and free experimentation are of the essence of our whole argument in this book. Nevertheless, we believe a surprise awaits some of our fussy meddlers and social tinkerers as well as a possible rude awakening for some of our "stand-pat" employers and their reactionary aides.

"Paternalism," both benevolent and otherwise, "Socialism," and "Leaving things alone" have all had a trial and have failed during the past decade. Why not aim sincerely, simply, and directly at the general welfare, cease patronizing the employe or pitying him, help competently in his education and await the time when the enlightened employe will voluntarily go out with his skill and accumulations and "hire capital" at the good rent it will always command in the United States? All of the policies and administrative labor practices we have advocated are simply preparation of the worker to this end. When the American workman does so act he will have sensed the immutability of certain economic laws — as enduring as the habitability of our planet — and he will not seek to excuse the mistakes which he reserves

the right to make for himself or ask any of his fellow-men to plead guilty to them.

Regarding the real and the alleged benefits to employer and employe of the relatively few profit-sharing and quasi-management-sharing plans operating in the United States, it is decidedly uncertain to what extent economy of time and material, improvements in quality and quantity of output, inducements to thrift, avoidance of economic friction and a sense of fair treatment have been derived from their very limited use so far.

Certain it is that all of these benefits can and often do accrue through direct action by skilful administration to these ends, through competent, sympathetic, and understanding supervision and inspiring leadership of the worker at his work and on no other basis than the mutually satisfactory wage contract collectively arrived at, with democratic provision for its periodical revision. This in no way rules out the interesting of the worker keenly in his job and the using of his creative instincts to improve it, himself, his earnings, and his prospects, but the latter is not "management-sharing" in any responsible sense in a business, though it is an essential step toward the worker's evolution in that direction. A greater willingness on the part of wage-earners to tie-up to profit-sharing and also stock-ownership is observed on the part of employes working for concerns whose plants are isolated and whose workers live in small communities created and sustained by the existence of one industry. Under such conditions if the industry is fairly stabilized, the labor turn-over is low, the worker's home and social conditions are stabilized also, and it is his wish that this should be so. Such conditions, however, are exceptional and the mobility and restless desire of the American worker in urban areas operate as effectively against an interest in profit-sharing as they often do against co-operative buying and other thrift practices. Labor rightly protests at the use of profit-

sharing to weaken its economic strength or the implication that it owes the employer any consideration on that ground. Wise employers will keep the relationship wholly separate from the wage contract.

**Foremen as Partners.** — In conclusion, no employer in our day should fail, wherever possible, to tie up to himself by real responsible partnership his indispensable and often permanent operating executives. All of these, including the more stabilized plant foremen are, in any sound business, taking proper concern about the quality of its personnel, and are more or less capable of trust and participation in management of the concern as well as of supervision of its processing departments and people.

We noted at the beginning of this chapter that the Leclaire establishment in Paris seventy-nine years ago concentrated upon its permanent group of 43 people as its partners and management-sharers and that it still confines that privilege to the same group — the voice of the general body of workmen profit-sharers being much less in the board of management.

America might well "creep before she walks" in this respect also, and afford a very liberal measure of ownership and management-sharing in the first instance to the 800,000 men and women — foremen and executives in our plants and industries who constitute the actual practical leadership of labor at the job.

Meanwhile, it is the writer's belief that "education by doing" is the most hopeful course for the employer to take with the wage-earner. Schemes which build up into capital investment what a worker has really earned, with of course his willing co-operation, and which readily capitalize his savings will gradually transfer the more intelligent and far-seeing from ungrateful contemplaters of a meagre bounty or a disappointing dividend, to patient owners and boosters of a visibly growing equity.

**Management-Sharing is Secondary.**—The consensus of those who actively direct the worker and spend their days with him as distinguished from those who merely theorize suggestively about what he ought to want, is that management-sharing by employes at large in the real, responsible sense of a determining voice in the business policies and decisions of a concern—is not a noticeable desire amongst them yet; for most workers desire a minimum of fuss in “getting a living.” In any case management-sharing can only properly come after profit-sharing by employes, or some distinct personal interest in the business has been acquired.

Anything less than a determining voice may help, and often does greatly help industrial relations and the production engineer; particularly in small concerns where the individuality of each worker can be manifested before the whole group. But this is not management-sharing and should not masquerade as such.

It does not appear likely that, even where the right to share in business management has been conceded, the employe stockholder will do much more to direct his concern than the general body of existing stockholders now do. The participation of the latter is well-known to be slight indeed, even where there is no inhibition due to close control by a few persons with the major interest. Except on occasions of commercial crisis or when vital matters of policy are up, the average stockholder after sizing up his directors judiciously and favorably—sometimes only their statement and company record—proceeds to trust them almost implicitly. Where confidence already exists due to excellent industrial relations the employe-stockholder will be found to do likewise.

The fact is that the average intelligent absentee stockholder must delegate a great measure of responsibility to the directors he has joined in appointing and to the officers they appoint in turn. He is perforce a somewhat helpless person when faced by big business issues and, even though the work-



man-stockholder is on the spot where the goods are delivered, we should not expect too much from him in that capacity.

Indeed, we are confronted by a curious anomaly in some concerns the writer has observed, namely, employes invited, even besought, to acquire stock — sometimes actually presented with it or with a definite share of the profits without any stock ownership — and yet positively denied any voice whatever in the settlement of their own immediate concerns as employes in which it will be found they are greatly interested and about which, though they very properly reserve the right to make their own mistakes, they make few errors and use most conservatively any acceptable democratic opportunity afforded them.

**Pensions.** — A closing word in this chapter on deferred rewards may be devoted to the subject of pensions. The writer has endeavored throughout this volume to set forth his interpretations of forty years' contact with the wage-earner. In this chapter he has indicated that there is inevitable and often unreasoning resentment on the part of many workers against "profit-sharing." Even when they knew that their employer was well-intentioned they felt it implied that something that was their own had been withheld and was being presented to them in the guise of special reward or benevolence. The wage-earners today want only that which is their own. If some of them seem to be asking for a great deal more it is in part because they are human, and in part because they are ill-informed and sometimes misinformed; not only by their leaders and by extremists but also because they have been left uninformed by management and capitalists. We have indicated that it is no easy matter for capitalism to live down its indiscretions but at the same time it is no impossible matter. It is full, rather, of hopefulness; and education and wise, humane leadership are the instruments of betterment.

If we regard labor as an investment rather than as a commodity, though it is both, wages should take some account of depreciation of the wage-earner. The worker who invests himself in industry at a wage which aims to meet current living costs and cannot provide more than a slight margin, must find himself in old age a dependant upon private or public charity. This is an arrangement neither humane nor intelligent and the best employers recognize that industry owes a worker, in return for efficient and steady participation in it, a fair assurance of some income during his non-productive years. In a word, his depreciation needs to be "written-off," either in the form of a pension in his specific industry where he has established his record of service or by some method of compulsory savings from adequate wages or by legislative assessment on industry as a whole.

That is the spirit and justification of the best pension schemes which recognize that lack of the will to save, not in all cases the means to save, is the cause of much distress to the aged, and pensions, either contributory or non-contributory — preferably the former — should be instituted. The writer prefers the assumption of responsibility by the individual employer — guaranteed by insurance where desirable. The employer himself is much more likely to secure the safeguards always needed against the detrimental effect of too liberal provision or of lax administration by government bureaus which has characterized the German and English relief schemes and demoralized many of their beneficiaries.

A thing may be said to be saved when it is prevented from going to waste. If a man's life is going to waste, he is lost. If it can be prevented from going to waste and put to some use, he is saved.

THOMAS NIXON CARVER

They also serve who only stand and wait.

MILTON

## CHAPTER XVIII

### UNEMPLOYMENT

One of the last technical labor problems to receive special mention is unemployment. It is by no means the least and it is more elusive than most of the others. It is a large and complicated subject which is only beginning to receive scientific investigation in the United States. It ramifies in all directions and involves consideration of the relations and responsibilities of State and Federal Governments to it — a subject too large to enter upon here, where we are mainly concerned with what capitalism and its managers can do practically to minimize unemployment, first at the plant, second in the district, and third in the industry.

In brief, this involves the recognition that *without a surplus of labor* industry would be stalemated and expansion and enterprise checked. If everybody were steadily employed everywhere it would be of little use to plan for progress. For this would call for more labor immediately and to obtain it would involve the stoppage or reduction of existing and serviceable industry somewhere else.

Hence, the first thing to note and reckon with is that each industry *needs a surplus of labor*. Capitalism is well aware of this and it should face the consequences.

The second is that the surplus, for the social good, should be kept as small as possible. The third is that the necessary surplus of labor in any industry *should be carried at the expense of the industry*.

To accomplish these ends fully the management of industry and business must take the following steps:

First, it must ascertain the nature and measure the extent

of the cyclical and seasonal fluctuations in the demand for its products that influence the normal surplus labor supply.

Second, it must make a better selection and adaptation to its needs of the labor which offers itself, through employment policies and tests and training. These should utilize all that applied science now offers. Such steps are calculated to reduce the payroll to a number who can reasonably expect a steady job with occasional extension at a pinch.

Third, it must concern itself as to how on a reasonable economic basis the plant, the district, and the industry can carry its necessary but occasionally idle people.

The latter involves private or commercial insurance schemes for financing it and a wealth of facts and figures about what now goes on in avoidable labor turn-over and in extravagant, unnecessary seasonal hiring and firing.

The fact is that the State and the nation cannot get a grip of any kind on the "Unemployment Problem" until the capitalist has first discharged his obligation and responsibilities in the premises. When that is done the residual problem for Federal or State action will not be a serious one in a rapidly expanding civilization like ours.

The "steady job" which we have shown to be the primary endeavor of the workman — first in his thought and in his esteem — is *too little in the mind of management*. Though there are honorable exceptions of long standing, the closing down by fiat, not only of plants, but of entire villages and towns wholly dependent upon such plants has been the cause of much bitterness amongst labor and justly so. "Economic determinism" is no sufficient reply from inconsiderate capitalism. Considerate capitalism on the other hand will usually find half-a-loaf when a whole one is not available, and the fact of its solicitude and endeavors will count for much more in industrial relations than the measure of relief obtained by them.

There is a certain sense of easy security natural to em-

ployers when the labor market gives them little concern; when there is a decided surplus of help. But the best possible practice for labor and capital alike to support, is to employ the minimum of competent or teachable people at all times, to train them thoroughly, to hold on to them at considerable inconvenience through good and bad times, to extend their effort to their profit at an occasional spurt of business — without straining them, and to avoid supplementing them, if at all possible, by casual laborers.

Men habitually employed in the latter capacity often become unemployable. They are soon spoiled for tasks of a steady nature. It is far better to have them forced by scarcity of casual opportunities to qualify somewhere for better work, for there is no doubt that the existence of a surplus of good labor causes a demand for it, and through the enterprise awakened the number of the steady jobs is increased.

But we have not only the unconsidered victims of the “easy come, easy go” system of hiring to consider; there is also the “unemployment within employment” to reckon with. While all industries are affected by the cyclical changes in “demand” in our country, a number have serious seasonal fluctuations inherent in the nature of the industry and affecting the earnings of those who continue on the payroll. Here there is a chance for management to strive for greater versatility on the worker’s part, for more adaptability to successful transfer and substitution.

All possible means of a practical nature should be used by the employer to “carry on” with the well-taught people he has already and to deploy these strategically when no longer needed to manœuvre in close order. He can only take this course when he *knows far more about them* individually than does the average management and its aides today.

An example of what may be done can be found in the packing industry. Ten years ago — in 1912 — Swift & Company

recognized the great desirability of steady earnings in an industry whose supply of raw material constantly fluctuated. The daily operation of its thirty packing plants is notably dependent upon primary conditions in stock-raising centers and in transportation not within the control of the Company, its managers or employees.

The Company then introduced a minimum wage for all wage-earners on the payroll at the beginning of any week equal to forty hours of pay in any normal week, regardless of whether it had been possible through sufficient live-stock receipts to work that number of hours out of the standard week. This has continued ever since and the practice was afterwards adopted by its large competitors. Three advantages were secured thereby—the worker knew what he would get regardless of weather, railroad delays or the whim of the farmer which all affect receipts of stock; the employer, because of the heavy penalty he had imposed on himself when forty-hours work was not possible, was careful to avoid reckless hiring of incompetent people and so raised the standard of his help; and the industry took steps to influence the distant shippers and the railroads to regularize their deliveries over the week instead of crowding them into two or three days for the most part.

A study of conditions in any industry, it is believed, will reveal some features adversely affecting labor and tending towards irregular employment which can be minimized, if not removed. The Dennison Manufacturing Company of Framingham, Mass., is an outstanding example of "Where there's a Will there's a Way" in stabilizing business and minimizing unemployment.

When an employer has sought to regularize the earning opportunities of his stabilized force in ways appropriate to his industry's needs, he is then in a favorable position to consider whether on a contributory or on a non-contributory basis he can afford to "carry" for a definitely limited period

any of his force who in spite of all precautions may be temporarily unemployed. In so doing he can experimentally establish rules of qualification for benefit which will enable him to accumulate experience. It is obvious that the nature of that experience will be affected by the sum total of his industrial relations practice, such as advocated in this study, and by its wisdom and the efficiency of its administration.

Some concerns have ventured into unemployment insurance of a fashion without experience. They have simply laid aside a sum of money for expenditure in any year on unemployed people, under certain restrictions as to amount and duration, and when the fund was exhausted, relief of this kind ceased till the next year. But for a practical and permanent scheme analysis of experience under defined conditions and actuarial calculations based on these must be undertaken. Only thus can safety and stability be insured.

The best and most permanent results are likely to come from procedure like the following:

1. Attempt at plants, at raw material sources and at distribution centers of the product to straighten out the supply and demand curves.
2. Secure high efficiency and lowest numbers of help and of supervisors.
3. Insure the best administration of the hiring, selection, placement, discharge, suspension of employes and inspection of labor turn-over.
4. Adopt a well-considered unemployment insurance plan in "principle" and work it diligently "on paper" for a year, or two if necessary, to get data under all conditions of business. Limitation of privilege should be calculated to conserve the worker's self-respect and the cost of the privilege should be such as to keep the management on its toes to prevent unemployment.
5. The results of this "plan on paper" worked diligently and conscientiously will enable a concern to adopt with confidence some permanent plan and to interest the workers in its possibilities.



Only after capital and management have recognized and studied what can and cannot be done by them about unemployment and have adequately cared for their share of the task of preventing it, or of minimizing the distress caused by it, can we find out with some accuracy how much residual unemployment there is, why it is and what government can do in the premises.

The latter task will call for attention in the near future and good industrial relations of all kinds will greatly aid in its ultimate solution.

**Non-Contributory Benefit.** — American unemployment benefit plans will avoid the admittedly demoralizing features of the English "dole" system with its three contributories — employer, employe, and government—if they concentrate upon the individual concern meanwhile, rather than upon the industry, the State, or nation, and organize on a basis which puts a premium upon the labor practices we have advocated and upon high operating efficiency.

It is true that here official unionism will again withhold its blessing and claim that complete detachment of employe and employer is the end to be sought but we believe that in all industrial relations it is through free experimentation of capital and labor undominated by doctrinaires on either side that the way out will be found. Some unemployment plans are very liberal in appearance but quite uncertain as to duration of benefit. Others are simply "doles" large or small which work against the self-respect of the employe and the efficiency of the plant. It is better to proceed cautiously and to find what is best from practice. The only way to begin is to begin. We need experience. We have plenty of theory and despite assertions to the contrary, *America is not ready for legislation on this subject.* Where the industrial relations and administration are of the best the concern may well elect to carry itself the irreducible minimum of surplus labor necessary to its operations.

Table XIII embraces the chief features of one non-contributory plan which is calculated to reduce unemployment to a minimum and to carry those temporarily laid off without a serious drain upon the concern's resources and without undermining the self-respect and self-dependence of the beneficiary. Where such a plan is efficiently operated in a concern with good labor practice it is believed that the unemployment benefit on the scale specified can be carried for less than two per-

TABLE XIII

## NON-CONTRIBUTORY UNEMPLOYMENT BENEFIT

**ELIGIBILITY:** All regular workers with the continuous service specified who have been laid off on account of reduction of help. The qualifying service may be six months, one year, or more as decided after the "plan on paper" has been worked long enough to provide experience as to cost.

**BENEFITS**

1. 40 percent of average weekly earnings.
2. 10 percent additional for dependent wife.
3. 5 percent additional for each child under 16 or at school.
4. 65 percent of earnings the maximum and not to exceed \$15.00 per week.
5. Exceptions: When other members of family are working benefit will be difference between total family earnings and maximum. When wife is working husband is classed as single man.

**DURATION:** One week's benefit is paid for each two month's service with a maximum duration of benefit of two months, no benefit paid for first week of unemployment.

**DISQUALIFICATION:** No worker receives benefit who

1. Voluntarily leaves the service of the Company.
2. Is discharged for any causes recognized by the Employees Representative Assembly.
3. Does not keep periodically registered with the Company.
4. Does not use best endeavors to find employment.
5. Does not accept suitable position when offered in the Plant.
6. Leaves his work on account of a trade dispute which is before the Assembly.

cent of the total wage-earners' pay-roll. Here again it will be found that scientific and humane industrial administration is just "good business."

**The Unemployable.** — Studies in the levels of human intelligence — of natural ability, not knowledge, of the natural qualities of individual minds — and in the measurement of them, beginning amongst the feeble-minded and greatly extended by war necessity, have made remarkable progress in the past decade. Popularization of the results, however, has been quite recent. What have we learned of practical importance to industry? Briefly, that every human being teaches at some time a level of intelligence beyond which he never goes. "Knowledge comes but wisdom lingers"; sophistication in varying degrees is progressively attained but intelligence is fixed in quantity and quality before birth and it is rarely fully utilized. Its levels range from the lowest or idiotic to the highest level of genius and the number of people of relatively low native intelligence amongst our 105,000,000 population and the 41,000,000 of these gainfully employed is much greater than is generally believed. It has been found that this mass of low level intelligence is a great social menace — particularly in a democracy — unless its existence is recognized and the problems it presents are properly cared for. The numerous suggestions towards better industrial relations which we have made have all been based on the belief and also the experience that the best efforts of workers will only be secured when each works happily and to his full developed ability at something within his natural mental capacity. The social efficiency of any group of human beings depends upon such recognition, and failure to appreciate these facts and to control the situation has presented to the United States its vast delinquency problem and its great army of the unemployable. Not only so, but the existence of such a group greatly impairs our social efficiency as a whole. Nevertheless we are carelessly adding to it by our

unintelligent immigration system as well as by our national impotency in education.

**Social Salvage.** — At every stage of our discussion and in solving every problem presented by industry we have pointed out that we must get the intelligent group amongst Capital, Labor, and the Public to plan and organize for the mass and that our attitude towards lower grades of intelligence must be one of understanding, sympathy, and benevolence. Not the easy going philanthropy proceeding from intuitively agreeable emotions but that based upon observation and analysis and sufficient knowledge. To that end American employers and American labor should set their faces against continuing illiteracy either native or imported, and should proceed to control intelligently and selectively the quantity and quality of the alien additions to our population as indicated in the following chapter on "Immigration." They should also encourage and actively carry on vocational guidance and vocational and cultural education which are applied with discrimination to intelligence and talents of ascertained quality. Nor must this salvaging be only an affair of increasing the number of skilled employes and of making semi-skilled employes out of common laborers. Of all classes of human talent the scarcest is that of genuine initiating and directing ability. The number of people who know how to use our enormous quantities of unskilled labor is far too few. "Knowing how" is a rare commodity relative to the demand for it, and some of it, in potentiality at least, is still down below because of obstacles which progressive employers can remove, and also because of obstacles which organized labor in its jealousy of "leakage" amongst its corralled tax-payers has deliberately interposed.

If we glean and sieve and separate intelligently and diligently amongst the mass of the gainfully employed and are good trustees and educators of what we find, we will add considerably to the number of people who "can start some-

thing." That is the most hopeful prospect for reducing the number of the people "who only stand and wait."

**Cooperation with National and State Governments.**— We have shown that capital's private and immediate interest in regard to unemployment is to ascertain beyond any doubt the facts and causes of its own labor turn-over, the wisdom of its hiring policy, and the efficiency of its labor planning. It should be out for the whole truth and nothing but the truth about the fluctuations in the earning possibilities of its employes, and it should sweep before its own door in improving the security of the job. It should have regard to the actual productive time worked—the man-hours of earning possibility which the concern provided.

If this is done, the misleading figures of "normal force employed" and on "number of organized men in jobs" which are furnished under different business conditions from employers and union secretaries respectively, will no longer have to be used by government departments in the guess work which is all that the United States Employment Service can furnish at present. The seriousness of the situation at times regarding unemployment on a national scale is usually discounted through justifiable scepticism as to the reliability of the published figures. The sum total of idleness at any time is an index of the sum total of buying power and making it a matter of business to truly report all involuntary idleness, is at once the privilege and the duty of every employer. It is to be hoped that the National Bureau of Economic Research whose impartial studies are commanding increasing confidence will be aided in every practicable way in its gathering of unemployment statistics. When we know what has actually happened and can reasonably forecast what is coming to pass in regard to variation in employment, we will be in a position in the future to reduce the amount of involuntary unemployment and to take intelligent steps regarding the cyclical and seasonal depressions.

# **CHAPTER XIX**

## **IMMIGRATION**

We face a period in the world's history when the migration of people will be the phenomenon of the world. The United States itself is fast becoming an emigration as well as an immigration country. It is a time when the lure of foreign markets and ease of transportation will lead Americans to go to all parts of the world. It is for the American abroad, as well as the alien in this country, that we must plan.

FRANCES A. KELLOR

It is largely a perception of the need of homogeneity, as a basis for popular government and the public opinion on which it rests, that justifies democracies in resisting the influx in great numbers of a widely different race.

A. LAWRENCE LOWELL

## CHAPTER XIX

### IMMIGRATION

**Immigration and Population.** — Closely connected with the topic of employment and having an important bearing upon capital's responsibilities to the wage-earner is the subject of "Immigration." In no other country has immigration been conducted on so important a scale as in the United States. The expansion of American industry has been largely dependent upon it. The need continues and has increased recently due to a law which gives priority in the matter of numbers admissible to many nationals of other lands who are least needed but whose types are already most numerous here. For several years prior to the war it was estimated that the net annual excess of immigrants over emigrants added to the population of the United States about one million people yearly of whom about one fourth were adults of a type immediately available for industry. Records kept for twenty years prior to the war show that nearly fifty per cent of our immigrants ultimately return to their native land. When conducted selectively with regard to assimilability in the commonwealth and the needs of industry, as ours has never been, two positive effects are secured by immigration. First, a direct and desirable addition is effected to the population of a large continent still in the developing stage, which greatly accelerates its growth by natural increase of population, for immigrants are usually at the most productive ages of manhood and womanhood. Second, an economic gain is effected through a direct addition to the available labor force, that is to the number of adults en-



gaged in producing wealth. Our "open-door" policy allowed us for many years to draw upon the manual labor of Europe's best types but as the quality of our immigration gradually deteriorated and more backward peoples sought an asylum here, our open-door laws called for change and did not get it. When the cumulative effect of our lax policy could no longer be ignored and a "drive" upon America from Eastern and Southern Europe was feared after the war many insisted upon a "closed-door" policy without knowledge of our industrial dependency and, as a temporary compromise, the three percent law was tried, but without selective powers.

The United States Census of 1900 showed that out of a population of 76,303,387 persons there were 26,147,407 persons who were either of foreign birth or who had one or both parents of foreign birth. In spite of the restrictive effect of the war upon immigration into the United States and the encouragement which the war gave to emigration for a period of over eight years, the Census of 1920 showed that out of a population of 105,710,620 no less than 36,398,958 persons, or more than one third of the people were of the above origin. We cannot say that without such an influx the population would only have been two thirds of its present size but taking account of the falling native birth rate, it would have undoubtedly been much less and our industrial development would have been greatly retarded through scarcity of common labor which aliens have chiefly furnished for forty years.

**Economic Value of Immigration.** — It is estimated that each adult European immigrant into the United States is worth to the new country of his adoption the difference between his probable earnings for the rest of his lifetime and his expenses of living. This has been reckoned for an unskilled laborer, to be about \$875.00 and multiplying this by the total adult immigration in any year gives an approximate idea of its annual value. When, however, the total net gain from immigration and emigration of aliens drops from about

one million a year to a little more than *one hundred thousand of inferior quality* and chiefly women and children, as it has done recently due to unwise legislation, unlooked for consequences face its authors and the nation, quite apart from the large economic loss. Of course, placing any precise money value upon immigration is impossible, for such calculations ignore the questions of quality and of opportunity and it is here that the weakness of both our former "open-door" and temporary "restricted-door" policies is revealed.

The immigrant is worth what it has cost to bring him up only if he is able-bodied, honest, and willing to work. If he is "of no occupation," is diseased, crippled, dishonest or indolent, he may be a direct loss to the community instead of a gain.

Also, the immigrant is worth his future earnings to the community only if there is a demand for his labor. It may be said that the present immigration laws of the United States, exclusive of the temporary three percent Dillingham law, establish complete and adequate safeguards, if competently administered, for the admission of aliens, from the standpoint of physical, mental, moral, civic, and financial qualifications with one exception.

It is however an important one. There is no provision for investigation as to admissibility prior to the departure of the prospective immigrant. This is a great defect which is a temptation to unscrupulous ticket agents. It causes great suffering and mental anguish to thousands of innocent people. It places a huge and unnecessary burden upon immigration officers at ports of entry in the United States under which their efficiency and sometimes their morale breaks down and it makes the obtaining of needed additions to our labor forces purely a matter of chance.

**Our Common Labor is Chiefly Renewed by Immigration.** — The 1910 and 1920 censuses both show that the common labor forces of the United States and much of the semi-skilled

and skilled labor is still largely recruited by immigrants and the children of immigrants and the cumulative census figures are confirmed by the employment records in all well-ordered industrial establishments.

Take the 1910 census analysis for instance. In that year 29,073,233 persons were engaged in gainful occupations of all kinds and 5,851,397 of these or 20.1 percent were of foreign birth. Adding the native whites of foreign parentage — 5,300,924, there were in all in that year 11,152,323 persons of foreign extraction in commerce and industry of every kind or *39.4 percent of the gainfully employed force of the country, was so derived.* These foreign whites and derived native whites together constituted the following proportions in the various occupational classifications:

<i>Divisions of industry</i>	<i>Percent of total of foreign birth</i>
Agriculture.....	21.0
Professions.....	32.0
Domestic and Personal.....	32.1
Trade and Transportation.....	44.9
Manufacturing and Mechanical.....	56.0

In Chapter II we have shown in detail what these several divisions contribute to the National Income.

**Purpose of Three Percent Law.** — We have allowed immigration laws which ought to control securely the quantity and quality of the additions to our labor forces from such sources to be made the playthings of "interests," chiefly of alien sympathizers, recently of "friends of labor" and their political allies of the moment. That is not what was done ostensibly but that is what "happened." The ostensible purpose was to aid assimilation of new nationals amongst their fellows already here and society in general by maintaining a fixed relation between the newcomers in any year and the number of previous arrivals as determined by the last census — then that of 1910. Unfortunately the framers of

the law took no inventory of the industrial aspects and quality of the later immigration with the result that — to the gratification of organized labor — we were deprived by Congress of needed additions to both skilled and common labor, while at the same time the already large body of non-industrial aliens in our midst was unnecessarily increased. On the other hand that increase was not nearly sufficient to please those who wish the United States to maintain its tradition as an unrestricted asylum and convenience for white races "on the move." It is obvious from the figures already given that the maintenance of an adequate supply of common labor and the distribution of it throughout the country is absolutely necessary if skilled endeavor itself is to be adequately supported and the savings of capital attracted to enterprise and needed developments. It is also obvious that this attainment is intimately wrapped up with the character, aptitudes, volume, and assimilability of the immigration.

**The Changing Sentiment on Immigration.** — Our experience with immigration has shown that mere aspiration for the privileges and protection which citizenship affords does not in fact constitute a valid qualification for citizenship. It is a matter of common knowledge that those who have been most ready to claim and use the suffrage have too often made the least valuable use of it and that those who are the readiest to renounce old loyalties are not necessarily the most faithful to the new. It is the power of realizing high aspirations, not the aspirations themselves, that makes the best citizens. The "melting-pot" theory is exploded and the sentiment in song and speech which supported it is being substituted in part by the common sense of the ordinary American face to face with the facts which are "now being told." The "melting-pot" never succeeded in fusing its contents, though it often boiled over and proved that even a sufficient number of individually useful and personally de-

sirable persons of an alien race can create, and have more than once conspired to create, something that was certainly not "American" but only a substitute, whether better or worse.

The serious American feels that we will imperil our best possible development if we continue, as many insist, our years of unlimited and ill-regulated immigration about which the state was utterly helpless. The initiative was wholly with four classes of people with no primary regard for American welfare; viz., European natives desirous to "trek," people desiring to sell transportation, employers and padrones wanting to use or to sell cheap labor, and people of foreign birth already here whose racial sympathies greatly outweigh their judgment as to the right and interest of the country of their adoption. Much of this immigration was needed but there was no control.

As these considerations began to receive wider attention there came the European war, a great shrinkage of immigration, and a large emigration. During the two years preceding the outbreak — 1912-1913 — there had been a net gain of immigrants over emigrants of about one and three quarter millions of people. This was greater *than the whole gain of the eight years following* — and the consequences are only now being realized. On the top of this great reduction came our 'panic' legislation in May, 1921, by which we added restrictions of our own, from various motives, which cut down the volume still more and also the quality of entrants. Though it has harmed industry, as will be shown, because of its unintelligent, haphazard character, this legislation had a useful psychological reaction. In allaying the general but groundless fears of an after-the-war foreign inundation, it has created the possibility of formulating now a constructive and humane immigration policy of selecting and distributing immigrants. Such action will be most wise but it will naturally be opposed by social workers of strong international sympathies

who regard "the strangers within our gates" as their wards, who know nothing and care nothing about the industrial troubles of our "free-for-all" regime and who will denounce any modification of traditional policy.

**Details of Effect of Dillingham Law.** — At first sight it might seem to be true, as labor claims, that "closing the gateways to America" would help to "cure" unemployment. That, however, is a narrow and wholly inadequate view of the problem and it is a pity that a two year extension of the Dillingham Law was recently "put over" without sufficient inquiry as to its industrial effects and largely under pressure from those interested in creating a monopoly of "jobs" for people already here. In addition to the great reduction of immigrants directly due to war conditions, the following is what has happened since under one year's operation only of the three percent law.

Limiting by the Dillingham Law the entrance of aliens in any year to three percent of the nationals of any country who were resident here in 1910 reduced the balance of immigration over emigration in the twelve months ending June 30, 1922 to the negligible figure of 110,844 or less than one fifth of the previous year. *Only 6518 of this net increase were men* and, taking into account non-immigrant aliens as well, there was actually a net loss of 11,687 males to the country. There was also a net loss of 30,883 workers directly connected with American industry. In other words, the Dillingham Law effectively cut off the alien common labor recruits upon which our normal industry has always been dependent.

*We lost some tens of thousands of good workers as well.* As a matter of fact five times as many Hebrews alone — 53,524 — entered under the law in these twelve months and only 830 of the Jewish emigrant class left the United States. Of these Hebrew entrants women and children "of no occupation" composed the majority and drifted to the already congested ghettos of a few large cities, while the few adult males

who entered with them were largely of the needle trades of whom we had an over-supply already. The latter as a rule refuse to enter any other industry. Thus industry wrongly supposed to be "protected" by this law gained *nothing whatever from it*, but actually lost heavily. Due to this law and to our past liberality and indiscriminate admission of people of little use to industry and difficult to assimilate, the numbers of these less desirable entrants now here largely control the situation and decide automatically that we shall *repeat our past mistakes* on a smaller scale, while doing a maximum of injury to our industries.

The law, in fact, places a continuing penalty upon our former lack of discretion and our careless sentimentality, and if it should shift its basis of computation to the figures of the 1920 census just issued, the situation as to the quality of the limited number of immigrants will be even worse.

Here is what "automatic selection," in reality blind chance, may do in recruiting our future labor ranks until we have the sense to take real control of the immigration situation.

<i>Countries</i>	<i>Numbers of foreign born in U. S. in 1920 from the ten countries chiefly furnishing labor.</i>
Russia .....	2,020,660
Germany .....	1,915,867
Italy .....	1,615,184
Austria .....	1,445,141
Ireland .....	1,164,707
Canada .....	861,450
England .....	824,088
Sweden .....	632,656
Hungary .....	598,170
Norway .....	362,051

It will be noted that as a "source" under the Dillingham Law, three countries alone, Russia, Germany, and Italy equal the seven remaining countries in joint-admission quota. In

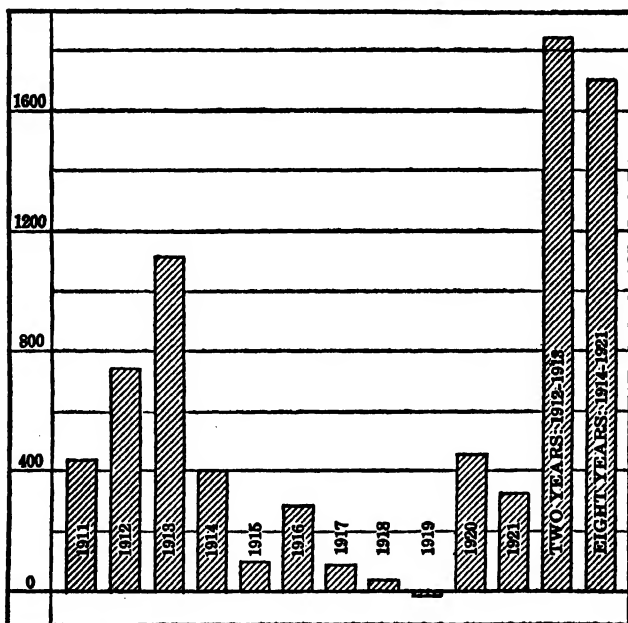
addition we must bear in mind that in the year ending June 30, 1922 though the countries of Southern and Eastern Europe only sent their nationals who are least desirable they also took up 94.2 percent of their legal allotment, while deliberate refusal of passports to the best nationals by their governments and economic and moral causes due to the war prevented many most desirable immigrants from Northern and Western Europe from realizing their intention; only 46.3 percent of their relatively small allotment having been taken up. At the very time when industry and our country's good required enabling temporary legislation favoring these people we, in effect, shut the door upon them. Under the Dillingham Law we lost from industry in barely ten months time about 22,000 Poles, 7000 Italians, 4000 Portuguese, 3000 Lithuanians, and 2500 Ruthenians or a net of 25,000 efficient laborers over entrants and gained only 6000 Mexican laborers of low quality, 1000 alien farm workers, and a meager sprinkling of skilled workers; for the law barred the way to any effective replacement. Our whole industrial structure is a pyramid on a base of common labor which for decades has never been renewable through natural increase of our own population. We have deliberately narrowed the base just after severe losses of efficient adult males who have emigrated in tens of thousands and by the end of 1922 all new enterprise will feel the check upon industry. Table XIII shows graphically the situation created.

**Maintenance of Common Labor Is Basic.**—There is in fact already a real deficit in the common labor supply in various parts of the country despite the great strikes and it causes a real "restraint of trade" and of new enterprise. There are many types of manual labor absolutely essential to our agricultural and industrial pursuits and essential as well to the assistance of skilled craftsmen, the supply of which *has been deliberately allowed to run down* with the aid of some politicians largely to ensure a monopoly of labor to those



interested in its having a high scarcity value. Yet it is recruiting for the duties of these same lower manual jobs, that the average American worker has for years resolutely refused to perform, which is now left to politics and a freak law.

TABLE XIII  
OUR DIMINISHING SUPPLY OF COMMON LABOR



The chart shows in units of 1,000, our net balance of immigration over emigration by years, 1911-1921, and compares the total balance for 1912-1913 with that for the next eight years, 1914-1921.

The common labor which will fire the factory boiler, reap our harvests and "help" the building tradesmen and "skilled" craftsmen in every line, is absolutely necessary to normal operations. It has for many years been almost wholly sup-

plied by immigrants and it is now at a minimum due chiefly to unwise and ill-considered legislation.

This situation will bear watching not only in the interests of capital and the public but in the interest of labor itself which will complain loudly as soon as the consequences begin to pile up. The moral is that neither "friends of labor" nor "friends of capital" can be trusted to play with legislation of this kind. It should get statesmanlike attention immediately in the interest of our citizens as a whole.

**The Immigration Restrictions Needed.**—The Dillingham Law as we have seen, and our general immigration code as well, makes it absolutely impossible to discriminate in favor of *the real labor needs of the country*. They force us automatically to pile up imported economic and moral liabilities; to become a dumping ground for whatever excess population European social convulsions choose for us.

Some emergency control of admission to the United States has long been needed and should be legally operative whenever it is needed to mitigate the social effects of a trade depression or to prevent a hurtful "run" upon the country during foreign crises.

The two kinds of laws cited differ chiefly in the scale of the mischief they accomplish. The Dillingham Law however strikes at us economically in a way the other never did, though promiscuous entrance *has always been objectionable on many other grounds*, and great liberality could have been shown without incurring many of the past dangers.

The cumulative effect of the present Three Percent Law is startling and we are committed to two more years of it at a time when restriction of National Income is folly. The law itself is a good example of our accomodating legislator's "hedging here and trimming there in order to get the Italian vote or the German vote or the English vote or the Polish vote in certain sections."<sup>1</sup> This does not take account of

<sup>1</sup> "Why Europe Leaves Home" Kenneth L. Roberts 1922.

some of our weak-backed newspapers which "fearful of advertisers, hesitate to print facts that may irritate Irish-American or Jewish-American readers or others of foreign extraction whose sympathies are unmistakably more with Europe than with America." Canada has wisely refused to allow "Immigration" to become the catspaw of politicians or parties. She has declined to shackle herself in order to placate "labor" or any other interest by blanket or hit or miss legislation. Instead she has strengthened her selective privileges *at the place of origin* and has accompanied every embarkation permit with a distinct understanding as to the ultimate destination and final settlement and suitable employment of the selected immigrant. The qualification for "making good" is ascertained and certified to abroad and not left, as with us, to chance and discovery after the entrant has been turned loose upon the country. The goal of all immigrants is admission. But qualification and distribution are the matters upon which we should concentrate and we should do this at the place of departure.

Commissioner General W. W. Husband, of the Federal Immigration Bureau, said recently: "If there is a demand for immigrant labor which honestly exceeds the available supply, it would seem only right that some provision should be made for supplying such excess demands and such an addition would, it seems to me, make it possible to develop a constructive immigration policy based upon a selection, not only to meet the industrial needs of the country, but also to permit of a quality selection which would contribute to the upbuilding rather than to the possible undermining of American citizenship, ideals, and institutions." Speaking at the Wellesley Industrial Conference in August, 1922, the Chief of the Immigration Bureau emphatically declared that our several policies of "open door," "closed door," and "percentage basis" were "fundamentally wrong," and insisted that when the United States is def-

initely short of one kind of labor we should have laws which will permit us to handle the matter scientifically, laws which would allow us to pick and choose intelligently and to obtain material that would surely develop into good American citizenship. At present, there is no guarantee whatever that our needs will be filled in any degree by the three percent law and the prior laws permitted such a huge dilution of unneeded non-industrial labor as to prove a social burden. Thus the testimony of the practical managers of industry is at one with the opinion of federal officers, but together they have as yet failed to impress the politician.

**"The Stranger Within Our Gates."** — "When the war opened, there were gathered together in United States territory, living peaceably and pursuing ordinary vocations and trends of thought, 15% of all the Danes in the world; 8% of all the Finns; 13% of all the Germans; 7% of all the Italians; 8% of all the Czecho-Slovaks; 20% of all the Norwegians; 8% of all the Poles; 15% of all the Swedes; 3% of all the French; 5% of all the Dutch; 3% of all the Greeks; 5% of all the Lithuanians, and 24% of all the Jews."

"The foreign born were united each in their own racial solidarity, with their own economic systems and quite independent of native American assistance; the native born were pursuing their own way toward success and happiness, quite unconscious of the separateness of the many races."<sup>1</sup>

In the matter of immigration capital will only fulfil its duty to the wage-earner and to the country by recognizing all the factors in the case, by proceeding scientifically with scrupulous verification of our industrial needs, and the social facts, and of the effects of laws, existing and proposed, upon these. It will then be fitted to procure the enabling legislation which the Chief Federal Officer sug-

<sup>1</sup> "Immigration and the Future" — Frances Kellor — 1920.

gests out of a large experience. Capital should treat this whole subject in a broad spirit and with regard to the general welfare and social elevation of the land we love.

If it does this, the alien will be greeted after admission by a more homogeneous people and in no spirit of patronage or superiority. Much can be done to fulfil this ideal through sincerely practising in our plants and businesses the principles of courtesy, democracy and respect for humanity already set forth in this book. Of course real "Americanization" of hordes of mere self-seeking sojourners in our land whose motive is to work desperately, and live miserably if necessary, then save and remigrate, is impossible. That problem our lax laws have created. Nor is much progress possible, either, in closed foreign colonies in the United States which stubbornly refuse to assimilate. Nevertheless, "The Spirit of America" if conveyed to a sufficient number of competent and suitably distributed settlers through the wise and enthusiastic discharge by capital of its "duty to the wage-earner," as we have set it forth, will do much in the premises, and will help to build up a great people and to invigorate it by the worthy traditions and desirable racial and physical characteristics of various hardy European peoples.

The Industrial Relations Committee of the Illinois Manufacturers Association recently reported to the directors of that body on the subject of the present immigration situation. The following extracts from the report relating to the first ten months of the restricting law supplement and confirm the discussion already given here and should command the attention of all employers.

**The Three Percent Limitation Opposed.** — "Under the working of this act, many men of brain and brawn of the type that built up American industries are now shut out of the United States.

Most of the immigrants that now enter this country do

not engage in industry, except the lighter employments which are well supplied with help."

"It is the sense of this committee that the operation of the present 3 per cent limitation of the immigration law has demonstrated its ineffectiveness as a measure to improve the character of immigration; has prevented desirable aliens from entering this country and its continuance would mean economic disaster to the United States.

This committee advocates *the immediate repeal of the 3 percent law* and further recommends that immigration to this country be restricted only to consistent moral, physical, and financial qualifications with provision for the determination of admissibility of aliens prior to their departure from native land."

**Workers Return to Farms.**— "It must be realized that there has been for the past two years a distinct 'back-to-the-farm' movement. Great numbers of men and women formerly residing in rural districts were attracted to cities by war time necessity production and a high peak of wages. The late period of industrial depression has resulted in many thousands of these people returning to the rural districts. This coupled with the gradual revival in the manufacturing programs of the country has already resulted in the elimination of excess unemployment and indeed a definite shortage of labor is manifested in certain industries of both skilled and unskilled classes, which will shortly be more emphasized. Relief from this shortage cannot reasonably be expected by again drawing people to the cities who are now engaged in agricultural pursuits."

**Remigrations Stimulated.**— "Nor can we expect further relief from those countries from which industrial workers are largely recruited. With the 3 percent quota already filled chiefly by non-industrial immigrants, the law acts as a continuous bar against the class of workers indispensable to American industry.

"We find definite movements to encourage remigration of those nationals here now actually engaged in our industrial pursuits, notably among the Poles, Lithuanians, Italians, and other central Europeans. This encouragement takes the form of grants of land, assistance in establishing farms and other subsidies. The effect of this would indicate that incentive will be lacking for emigrants to return to this country. Immigration will be retarded from those countries."

**Second Generation Shun Manual Labor.** — "It is a notable fact that the second generation in the families of immigrants do not enter the lines of employment followed by their parents, preferring office and commercial pursuits to industrial activity. This progress on their part is their logical response to the greater opportunities for advancement presented by residence in America.

The continued recruitment of common labor must come from an increase of admissible immigrants seeking such employment.

We believe that the foregoing recommendation for the repeal of the 3 percent restriction on immigration will not only result in economic benefit to America, but that it is in entire consonance with American history and traditions. We have taken pride in the fact that this has been the haven for the oppressed and the land of hope and opportunity for the people of less favored countries. To further deny them this opportunity of enjoyment of religious and political freedom and the advancement of their social welfare is at variance with long established policies and practices.

It is generally conceded that the 3 percent immigration law was offered as an experimental measure in an effort to control a transient condition brought about by the period of deflation and the consequent disturbances of economic conditions immediately following the war. To continue the

restricted influences beyond the period of deflation is unsound in principle and must retard the continuing development of American industry and the exploitation of its enormous undeveloped natural resources."

"The act takes into consideration only the number of nationals permitted to enter and entirely disregards the number of such nationals remigrating from this country. Since the enactment of the law the remigration of foreign born Americans to their country of birth has been greatly stimulated. The whole effect of the act upon the increase of industrial population of the United States is adverse.

In presenting this report favoring the repeal of the 3 per cent immigration law, your committee is mindful of the duty imposed upon American citizenry to teach and inculcate into the minds of newly admitted immigrants the ideals, precepts, and principles of this great country and to inspire in the minds of these people the desire to assume the duties and responsibilities of citizenship as well as to enjoy the advantages and benefits of residence in this country."

**Rigid Selection of Immigrants.** — "The work of acquainting the new arrival with American precepts should begin before he leaves his native country and should be followed up after admission at regular and frequent intervals. More careful and rigid selection should be exercised in native countries by officials of the United States before the immigrant is given his passport.

"Your committee notes the absence in present immigration laws of adequate provision for determining the desirability and admissibility of aliens, seeking admission to the United States, prior to their departure from their native land. We would urge upon the government the wisdom of providing on definitely organized basis for the complete investigation of admissibility at the time of application by the prospective immigrant for passports from his native land and prior to his departure."



There can be no formulation of an adequate immigration policy for the new era until capital, the wage-earners, and the public consider and arrive at definite conclusions about the following thirteen questions proposed by Miss Kellor, and upon which she rightly says, "American opinion is divided between the restrictionists and the liberal immigrationists." Namely,

1. Is America irrevocably an immigration country?
2. Is immigration essential to our economic development?
3. Is America a necessary asylum for the foreign born?
4. Shall the basis for assimilation be Anglo-Saxon?
5. Shall America become a one-language country?
6. What shall be done with the foreign language press?
7. Shall American citizenship be compulsory?
8. What is to be the status abroad of naturalized citizens?
9. Shall aliens be registered?
10. Shall the status of aliens be fixed solely by national law?
11. Shall America adopt a national system of assimilation?
12. Shall immigration be dealt with abroad?
13. Shall the troubles of Europe be settled in America?

The alien is in an extremely difficult position. On the one hand he is an economic outpost of his native country and in competition with the native American. He is the objective of international propaganda. He is the prey of the exploiter. He is the target for economic discrimination. He is the victim of legislative discrimination. He is the pivot on which race antagonism and friction turn. On the other hand, he is the recipient of boundless opportunity. He is the beneficiary of American institutions. He is the

much sought object of the Americanizer. He is the future aspirant for American citizenship."

**The Present Common Labor Problem.** — Any fuller utilization by the various races emigrating to the United States of their allotments under the Three Percent Law during the second year of its operation (1922-1923) will go but a slight way towards reducing the acute deficit in our common labor supply caused primarily by the severe war check upon the migration of nationals of European countries and accentuated by "panic" legislation to prevent something that could never have happened. The latter, the new restrictions of the Dillingham Law, was undertaken at a time when we should have aimed at expediting immigration with power of selection instead. The trend of such a chart as Table XIII, if it had referred to the available raw material for operating our plants, would have given rise to serious concern and appropriate action long ago by responsible executives, and it is only one example of our carelessness about some national problems which has given rise to the saying "God takes care of widows, orphans, and the United States." There is no way out but *to open the door wider with power to select intelligently*. The latter proviso has always been lacking in our legislation.

Distribution of new immigration to the areas most needing it is never a rapid process; neither is the training of such labor, and for the latter we have taken in relatively little new material for years past. Thus the American employer will have to face for some time to come at the best a brisk demand, certainly in all industrial occupations, for his basic help on the general wage and price levels, and at the worst he will see a renewal of the unrestrained bidding for common labor by farmers, contractors, and manufacturers, which characterized the war period, disorganizing industry, demoralizing personnel, preventing stabilization of production costs, and unnecessarily boosting the cost of

labor and of living. Though largely unorganized, common labor as we have seen forms the base of our industrial structure and an increasing shrinkage of that base relative to the total structure means a return to heavy labor turn-over and a rising of operating costs until we seriously face the fact that *selective immigration is still essential to our economic development*, and take the question up in earnest through an able, non-political and non-partisan commission and settle it "right."

## **CHAPTER XX**

**Is "SOCIAL JUSTICE" ATTAINABLE?**

Ah! But a man's reach should exceed his grasp;  
Or what's a heaven for?

ROBERT BROWNING

Justice is the rarest of human virtues In a  
long life I have known ten generous men for one  
just man.

WILLIAM EWART GLADSTONE

Ultimately we are what we love and care for,  
and no limit has been set to what we may be-  
come without ceasing to be ourselves.

WILLIAM RALPH INGE

## CHAPTER XX

### Is "SOCIAL JUSTICE" ATTAINABLE?

In the nineteen preceding chapters we first described and analyzed, and then attempted some synthesis and practical reconciliation of the conflicts arising out of the issues between capital and labor. In all of this we have kept steadily in view the paramount necessity of "selling" thoroughly to the financiers, employers, managers, and numerous minor executives in industry the facts of the industrial situation, the psychology of it, the vital part which management of all grades must play in securing betterment and adjustment, and *the very small part* which legislation and compulsion of any kind external, or internal, can play in the premises.

In doing this we have avoided reliance upon much of the elevated and genuine sentiment, largely external to industry, which in our day does considerable "resolving" and generalizing about labor problems to little practical purpose, because it often carries its resolves and intuitively agreeable moral sentiments with inadequate apperception into many details of procedure which it has not made, and often will not make itself competent to pass upon or to devise. Under such conditions a strange assortment of uneconomic and unpractical proposals has been widely endorsed, and these, by their exaggerations and futilities, have distracted attention from *unpleasant truths about industry* which merit the serious attention of its management and ownership.

Nevertheless, the church, the social forum, the press and reforming persons could hardly do anything else but "cry

aloud and spare not" in the face of "impossible," reactionary or unregenerate capital's stereotyped reply. In spite of the intrusion of the altruistic amateur into industrial relations, capital, management, and labor alike must look to *the world's spiritual forces* for the best motivations of society, while seeing that fact is substituted for fancy in all indictments.

In the present and in the succeeding and closing chapter, we present for the consideration of management a philosophy of the duty and opportunity of capital and some consideration of what we may look forward to. These it is hoped will inform with some background of principle and corresponding policy industrial executives of all grades whose daily actions and the wisdom of whose decisions about the worker as an individual and in groups, constitute by far the most important factor in industrial relations.

**Fallacies About "Justice."** — "Social Justice" — a sententious phrase — is frequently on the lips of orators, particularly labor leaders, preachers, and social workers. It is rarely upon the lips of capital because capital would insist upon having a quantitative conception of the term and is often as much at a loss as the others for a definition and a measuring rod.

The discussions of the proper distribution of wealth that are now so common and the plans arising out of them for changing our social system usually assume two propositions that are in fact highly questionable. By nearly all of these an absolutely "just" distribution of wealth is assumed to be a possibility and a completely satisfactory end of social endeavor; and a society stands condemned, we are told, if the distribution of its wealth is not definitely "just." It is likewise presumed that justice is all that can or should be expected of social institutions. These assumptions reveal serious misunderstandings of the deeper meanings of the principle of justice. They are a direct result of the

tendency to deem "just" only those arrangements or consequences which appeal to the sentiment of the individual. Justice becomes synonymous with "right," a right of course that is intuitively perceived and hence agreeable to moral sentiment. Precisely because of this identification of justice with what is felt to be right, the sentimentalist comes to regard "justice" as the chief good, and, with reference to social arrangements, all that can be desired.

**"Purchasing Power" and "Getting Things."**—The development of the present industrial system forces all of us to strive for purchasing power. Scarcely any gainfully employed person today feels conscious of any struggle with nature. We all seek money incomes, assuming that if there is money in hand, all material goods can surely be procured. A couple of centuries ago, when industry was proportionately less important and the chief place of farming definitely recognized in every land, there was a greater disposition on the part of people to think of a living in terms of commodities. Prosperity or distress depended wholly upon the character of the harvests. It was not merely a matter of having a greater or a smaller money income. It was an actual difference in the abundance of food from year to year.

"Getting through until next harvest," which became with us during the war a problem for the first time, was with our predecessors *a persistent feature of daily life*. In those days nobody could possibly forget that the struggle to provide for material wants was in reality a struggle with nature; a struggle rendered hazardous and uncertain by the caprice of the seasons. Then, when death came, it was accepted with resignation and, in the less fertile districts which never afforded bountiful subsistence, the persistent pressure of hardship was likewise borne with resignation. In the midst of such circumstances it was not difficult to explain poverty: the humblest inhabitant understood; there was no need to organize in order to explain or to denounce it.



But now that this struggle with nature has become less direct, so that the economic problem seems to be merely a struggle for purchasing power, poverty is not so easy to understand. There seems to be an abundance of goods if only there is money to buy them; if only we have enough chips to put into the spending game. Employment at a sufficient wage seems to be the only difficulty; to the workman, the obstacle that stands between him and adequate maintenance is not a capricious and uncertain Nature as of old but seems to be a niggardly employer. The direct obstacles always assume to the workman and the reformer concrete, human, or social form. The mere existence of poverty seems to be positive proof to some people that there is some vital defect in the mechanism of this industrial society that seems to offer all things in its markets and then appears deliberately to withhold the wage that would enable the workman to buy. That is precisely what the fulminations of some labor leaders mean today or else they attain only sound and fury signifying nothing. The apparent abundance in the markets, however, is misunderstood. The caprices and niggardliness of Nature are not overcome and done away with by making the struggle less direct than it was a century or two ago. Purchasing power is not food and drink, raiment and shelter; nor does the apparent offer of all kinds of things for a price guarantee such abundance that all may be fed and clothed.

**Poverty Not a Problem of Justice but of Economics.** — The disposition to treat the problem of poverty as a problem of justice in distribution is unfortunate, though highly popular and comforting to shallow and ignorant minds. We have shown that it is not true as alleged that the material comfort of the wealthy and the moderately comfortable is enjoyed at the expense of the poor; nor is it true on the other hand that the misery of the poor is merited; that it is a just judgment for deficiency and inefficiency as careless reactionary thinkers aver. It is merely childish to suppose as some

do that the difficulties and evils of life do not really exist, that hardships are purely mental or, as others claim, that they are all due to human wickedness, and that all of them can be overcome by the simple insurance of honesty and competency in high places. Nothing is explained and nothing whatever accomplished by the disposition to apply offensive terms to either rich or poor, and it would seem that effective study of poverty and its alleviations would be most significantly furthered by abandoning such unfruitful and unfair discussions with "justice" as the head-line which are the especial choice of some portions of the press and some politicians. What is called for is the more difficult and more practical task indicated in our previous discussions of ascertaining what defects in people themselves, in their environment and in their work or lack of it are responsible for their having little or no "scarcity value" in the market of endeavor.

**Absolute Industrial Justice Unknowable.** — In the material world, distributive justice can never be certain. All appraisals are subject to some errors, larger or smaller as the case may be. The valuation of the social product, of our manufactures for instance, is not certain. The valuation of the efforts of particular laborers and classes of laborers is even more uncertain. Most of the product is distributed before its final values can be known. The process of production is directed with reference to "*expectations*," and many workers are paid and indeed demand to be paid in terms of these "*expectations*," and not from a realized fund. The exact contribution of the individual to the joint product is usually unknowable. Within some considerable margin of error, the individual contribution may be ascertained by processes of imputation and computation, *but not with any certainty*, and without certainty we cannot effect the "justice" predicated by purely sentimental verdicts. Furthermore, all these acts of appraisal, as manufacturers well know, must be repeated

over and over again. They must be made in each case for stated periods of time and with reference to conditions *that are certain to change*. There is no chance for the correction of errors, no eternity in which one may wait patiently for the revelation of the truth.

**Justice Realizable in the Moral Life.** — On the other hand, action in the moral as distinguished from the economic realm is more closely related to the eternal verities. The continuous elements of reality are fundamental. In the material world we are closer to the stream of life. The submergence of the individual in the complex stream of circumstance keeps the continuity of life ever present. The notion of justice, then, a principle of continuity, means less in the material world than in the moral. It is less clearly revealed to us, and such principle as we do discover is less certainly manifest. We may say with assurance that no conceivable form of society will ever achieve any large measure of idealistic "justice" in the distribution of wealth on this planet. We may say this without pessimism and without despair; for justice in and of itself cannot make life worth living as some confidently believe, nor can the absence of a perfect and certain justice in distribution destroy any of the deeper meanings of life. The almost mathematical justice of a Greek tragedy wins our assent; the poetic justice of the Bible, Shakespeare, and our literary immortals moves our hearts and minds to approbation, but no such clear and determinable issue is presented in the industrial and business world in which we co-operate for what we call "a living." What, then, are we going to do about it?

**We Can Have Approximate Justice.** — When we cease to insist upon absolute justice, upon idealistic solutions, and apply the principle of verification, the scrupulous scientific method, to finding the facts of life and of its desires and deserts, we are able to get a fair estimate, uncolored by personal feeling, and we discover that "justice" as a princi-

ple for the adjustment of conflicting human interests can be approximately ascertained and that the degree of measurement possible can be a very real aid towards a better society.

As a matter of fact, the ultimate basis of all social conflict is economic scarcity of one form or another. The numerous industrial conflicts already described throughout this volume do not stand alone. Around the fact of economic scarcity and its inevitable conflicting interests are grouped practically all moral ideas and all sound political and legal institutions; it is indeed the basis of all real human values.

What then, we may ask, is the approximate value, the "just" significance of a man — in goods, services, — in doing, thinking, and being, in the broadest sense? It may be set forth briefly in six propositions:

The value of a man — the totality of all his qualities in action — is equal to his production minus his consumption.

When his production is less than his consumption, he has no value; he is, in varying degrees, a social parasite.

When his production equals his consumption, he merely justifies his existence.

When his production exceeds his consumption, he is an economic success.

When his economic success is devoted to things which strengthen and uplift himself and his community, he is a social success.

When each man's acquisition is equal to his production, "Justice" has been attained.

This attainment is at once the task of a society or a State and the test of its quality.

**We Must Beware of Sentiment.** — In human society, however, we have to face the fact that the constant tendency of man is to make "justice" depend upon sentiment rather than upon deserts as just outlined.

In industrial conflicts particularly, that which is intuitively agreeable, morally pleasing and obviously liberal is a snare alike to capital and labor, and is often labelled "Right" by

either, sometimes by both, with no attempt at the more difficult task of due measurement of the merits of the individuals or groups involved.

Collectivism often runs riot in unfairness, in a cheap approximation, or in a careless generosity, whose function is chiefly to please. To please whom? Sometimes a dominant, unscrupulous minority, in business, labor, or politics; often a public, uninformed and unthinking. The war administration of labor and capital affairs and of national issues was full of this. It was the easiest way. In the face of urgency it was sometimes the only way. Nevertheless, we must retrace false steps and face the truth about all kinds of settlements from which we now suffer and which will not "stay put" because they are not just in the main. Such injustices in favor of labor or of capital cannot be offset. They do not cancel-out. They breed, and they have a numerous progeny. Few major industrial disputes which the writer during forty years in industry has studied have been decided upon their merits, because of a long series of unjust precedents on both sides. On all plans, all schemes, all proposals affecting capital and labor — the mainstays of our civilization — let us "prove all things; hold fast that which is good," and remember that "by their fruits ye shall know them." The intelligence of capital and management which gives such magnificent service to society in planning and directing industry should be honest enough and willing enough to take the necessary pains; generous intentions are not enough. Practical morality, not heady sentimentality, or the greed of tyranny, is the sure compass of the industrial and every other social adventure. Unanimity of a "committee of the whole," of captain, crew, and passengers about the social course to be set, is no guarantee in itself that we shall sail in the right direction; neither is the passionate conviction of bad thinking on either side of any assistance. If on the other hand, we steer by external standards of scrupulous fact, of reward

according to desert, and if we plan for the general welfare and moral and economic betterment, the true social goal will be attained. The virile virtues still inherent for capital, labor, and society in our "legalized self-interest," in our "acquisitive society," in competition, democracy, inheritance, and even in wise monopoly, will be perceived and conserved, and the obvious abuses of them abolished. When this is done we shall have achieved an acceptable measure of "social justice" through showing a decent respect for the accumulated experience of the race.

**It never yet did hurt to lay down likelihoods and forms of hope.**

**SHAKESPEARE**

**What is Progress? It means improvement in human conditions and we may lay down the general law that every higher stage demands a better man. What we need today, if we are to save civilization, is to exercise ingenuity and use brain power and lavish expenditure in training men and women for the social tasks of the present and the future. This is the price of progress.**

**RICHARD T. ELY**

**Let every American, every lover of liberty, every well-wisher of his posterity, swear by the blood of the Revolution never to violate in the least particular the laws of the country, and never to tolerate their violation by others. Let reverence for the laws be breathed by every American mother to the lisping babe that prattles on her lap; let it be taught in the schools, in seminaries and in colleges; let it be written in primers, in spelling books, and in almanacs; let it be preached from the pulpits, proclaimed in legislative halls and enforced in courts of justice. And, in short, let it become the political religion of the Nation; and let the old and the young, the rich and the poor, the grave and the gay of all sexes and tongues and colors and conditions, sacrifice unceasingly upon its altars.**

**ABRAHAM LINCOLN**

## CHAPTER XXI

### WHAT OF THE FUTURE?

The question "What of the Future?" is inevitable on the lips of forward-looking people in industry and in all gainful occupations and useful vocations. The right answer involves correct opinions about democracy in industry, about the task of raising the standard of living and about where we have arrived. It also requires wise decisions as to attaining the socially desirable motives and objectives of capital and labor in cooperation which have been already set forth, and it implies the existence and activity of moral and spiritual forces consistent with such ideals. Will capital pronounce "the new word" about these to its expectant officers of all ranks in industry and also to the wage-earners; and will the latter individually and collectively set themselves to understand and to co-operate?

**Democracy in Industry.**—The late Viscount Bryce two years ago looking out upon our civilization with a weight of years, ripe experience and ability such as no other has brought to bear on the subject, expressed himself as follows:

"The term democracy has in recent years been somewhat loosely used. At one time it means a state of society, at other times a state of mind, and in still others implies a quality of manners. It has become associated with all sorts of ideas, some attractive, some repulsive, some moral or poetical, and some religious. But democracy means nothing more or less than the rule of the whole people expressing their sovereign will by their votes. In the field of economics and government, our generation has been one of criticism, of



examination, and of revision. It was inevitable that we should develop heresies, impair faiths, and temporarily weaken the hold of the established social order upon popular imagination."

The "established social order," in fact, has rarely commanded the entire support of the people; and often confronting difficulties, discouragements, and indifference some are inclined to ask, "What's the use?" But it is misleading to argue from averages of opinions. There is no such controlling entity in society as "the average man." Democracy has been at all times served by an "aristocracy of ability" — a rule of the best *for the ends then in view*. Our present problem is to get the best to function in leadership of the public, capital, and labor toward attaining the socially desirable ends of our day, and to do so with an entirely open-mind as to what may follow. The present social and industrial system, as we have seen, offers such advantages to men of superior intelligence and industry that it cannot claim, *and does not claim*, absolute equality before fortune for all men. People are slowly coming to appreciate, however, that while capitalistic industry does offer advantages to superior ability it also offers a promise of the highest possible return to the average man, and it is not too much to say that men are nearer to putting their hearts into their work today — to getting some joy out of the job — than they have ever been before.

Hitherto the attitude of the average wage-earner toward the industrial system of which he is a part has been one of distrust or of passive resistance. He has centered his interest largely upon the rewards that the system has given to the other fellow and he has overlooked the benefits that he has received for himself. As a matter of fact, it is difficult for most of us to appreciate just what are the benefits that we derive from the capitalistic system of production. To the average mind what is has always been; there is no recogni-

tion of great progress made before our time and that we are at the peak of historic achievements. We are inclined to accept the conditions and things about us as a natural order of things.

Yet, if we could go back a few centuries and ourselves experience the lot of the average man of that time we could then begin to appreciate just how great is the participation of the average man of today in the reward under the capitalistic system of production and how meager the reward of the man of the past near or distant whom some are inclined to envy. If we could realize the relative greatness of present reward and if we could cultivate a belief in greater rewards to come, it would carry the world and its industry a long way toward the goal for which it is striving. Our best work depends not a little on our state of mind and the public, capital, and labor should do their utmost to have minds as fully informed as possible as to the facts of industry, past and present.

**Raising the Standard of Living.** — Professional labor leaders in the United States and England, the only two important industrial countries whose productive facilities were largely maintained during the war period, base their hopes for increasing dominance of the organized laboring man upon general acceptance of the irrelevant slogan: "Our standards of living must and shall be preserved." If the professional labor leader is sincere in standing firmly for the enforcement of this principle at all costs it is because he is ignorant of the economic forces which make the maintenance of this principle through periods of readjustment impossible. On the other hand, if such a leader understands the significance of these changes and their inevitability and still opposes labor's participation in steps that are necessary to readjustment, he is insincere; in either case he is not a competent leader.

In view of the natural confusion in trying to account for the extent of the losses suffered by the industrial world as a

result of the war, we must not condemn the ignorance of the labor leader too strongly. He has hitherto depended upon the dollar as a term for the expression of value, but the best informed among the labor leaders are now coming to understand that a dollar is not always a dollar in the old sense and they now measure the value of the dollar by its purchasing power, but that is about as far as they have been willing to go in penetrating the secrets of distribution. They make no effort to relate the standards of consumption to *the quantity of goods available*; they want a full dinner pail when the harvest is meager as well as when it is bountiful. In this state of mind they are either persisting in the error which thinks the dollar as such is invested with the magic power to raise food and raiment out of thin air, or they are relying on the power of organization *to enforce their will for a small group*, regardless of conditions and the interests of the people at large, and are therefore anti-social and deserving of condemnation.

The standard of living we have seen can only be raised by the increase in the production of the things which go to make up the sum of this standard; not necessarily by an increase in the number of dollars which are paid for a day's work. It is raised by the increase in the quantity of the thing upon which their labor is employed. This may seem very elementary but it needs to be reiterated. We cannot, at any time, divide more than "all-there-is" and that simple lesson is never too well learned amongst wage-earners and social workers and the public.

The war times were deceiving. The war did not increase production or the tools of production *for our normal needs*; it simply forced a redistribution and temporarily raised the standard of living of those who were engaged in the production of goods most essential to the needs of the war. The munitions worker was able to command more but we know that the average man engaged in non-military work com-

manded relatively less; though nearly all labor was temporarily raised in its reward and its standard of living.

Now that we are becoming normal we are facing the fact that real progress in lifting the standard of living comes from lifting *the entire social structure* through increased production and services, and wherever possible through improved distribution of the National Income, not by attempting, through force, to maintain abnormal and purely temporary conditions. We must restore our worn-out industrial machinery; discard obsolescent equipment, rehabilitate our railroads, manufacture new tools, and put new inventions and economies to work for the one hundred and five millions who constitute "all-of-us" or else permanently lower all standards of living. This we must do *irrespective of the state of business*, if, as formerly, we are by ingenuity to evade the diminishing return from nature alone. Neither by hook nor by crook can we get the government, through taxation, appropriation, confiscation, control of capital or trusteeship of labor, or any sleight-of-hand, to do the trick.

**Where Are We?** — American capitalism is not reactionary, though a few capitalists may be. It is honestly seeking a way out, and that way is necessarily different from the course followed in other countries from which we derive more warning than inspiration at present.

Take England, for example, where as with us about five-twelfths of the total population is "gainfully employed." There, because of social and political cleavages centuries old, all labor controversy starts and ends today with an almost solid body of unionism — about six and one half millions out of eighteen millions gainfully employed, functioning nationally within a small area permitting of much strategy under leaders of higher intelligence and longer experience as a rule than ours. This body of unionism is largely amongst the eleven and one-half million industrial workers of England. It forms about sixty percent of that body of British wage-

earners, and amounts to nearly one hundred percent in a number of the individual trades. Unfortunately English unionism is pessimistic. It has been little concerned for many years about increasing production, and is deeply engaged to-day in dividing up "all-there-is." It hopes for little and gets it. It aims at making men dear without making goods plentiful. Most of the capitalism there deals with labor through organized bodies of employers and employes and English labor seems to have a deep grudge against capital for the worker's admittedly "lean days," gone beyond recall. Its policy of "Ca' canny," going slow, is deep-rooted and has infected our own building and other hand trades, mining and railroads. Its organized power and solidarity, so much coveted by some American labor leaders, has not arisen out of a higher sense of human values there than with us. It is in many ways a refuge of despair and the political power which it seeks is not being exercised greatly in a direction calculated to co-operate with capital for the common welfare.

At the peak of its power and technical efficiency, English labor is deeply concentrated on politics. It is trying "to make work" rather than to increase goods and services. It is not the large volume and solidarity of unionized labor in England which is formidable; it is the bitter, hopeless spirit of many divisions of it towards capital and the attitude of some sections of the latter that is the menace. Yet alongside of practices by the rank and file calculated to take the bread out of their own mouths, England has the profoundest students of industrial problems. Their program of education and the high type of intellectuals adhering to labor there may yet do much to forestall her industrial eclipse which is inevitable if the policy of English labor is maintained. In one respect, however, we must take a secondary place. The growing disrespect for the law in the United States by sections of the people — particularly organized labor — and minor officials entrusted with its administration, is a formidable menace.

Capital itself has to a lesser degree bent the law if not broken it on occasion. Unsocial acts which would meet in England with swift, sure justice approved of all the people including its radicals are condoned or ignored by some of those who have sworn to uphold the law of our land and no great outcry regarding the violation with impunity of what Abraham Lincoln considered the essence of our liberties has followed. This is largely a matter for the individual States. So insistent about their "rights," they are called upon today as never before to safeguard them chiefly by being scrupulously and impartially observant of their "covenanted duties" and this can only be attained when they cease to substitute "a government of laws" by "a government of men" who are selected as "friends of labor" or "friends of capital."

In America, the land of opportunity and of healthy discontent, where all hope to rise, labor need not face the future in fear or be lead astray by the gloom of some of its prophets or the dreams of its radicals. Nothing but good can come to our labor — union and non-union alike — by indiscriminating home-rule in each plant for all of the people in the plant and for all of their affairs, preserving at the same time the inherent rights of employer and employe to take any action they desire, if agreement is not possible. Comparatively few employers yet realize the wonderful potency of "just telling their people" the truth about any situation. Wage-earners are square and they want to be fair, but they must be "shown."

That is Employes' Representation at its best, and it ought to be a powerful instrument for industrial peace at the sources of trouble instead of a new bone of contention, as unionism would like to make it, and as some employers, by specifically excluding organized workers from their plants, are making it. Such co-operation at each plant in a unionized industry will be union co-operation if the leaders of organized labor are wise in their generation. Will they rise to the occa-

sion, or will they fail to produce statesmanship capable of it and retain the old method of fighting over the spoils of power, and of wielding the big stick over coerced but unfriendly employers? If they choose the latter the labor hierarchy which is in power in unionism today will surely go down to deserved defeat and labor itself will enter upon "a new freedom"—not based upon the demagogic doctrine of "the Oppressors and the Oppressed" which is in the forefront of the statement of "Principles" of the American Federation of Labor, but upon self-respecting relations with sympathetic and understanding employers.

**Where Are We Going?**—The great bulk of human industrial effort must continue to be outside of the immediate control of governments. Yet industry can only progress in a democracy with the consent of the governed and it is the negative attitude about this on the part of a few large capitalists and financiers in particular that retards progress in industrial relations. The managers and industrial representatives of such interests are held in check by unduly conservative trustees of capitalism when they might lead the world by their example. The fact is that capitalism holds the field beyond any doubt. It is the only system which has made good and there is no other in sight which can carry on. Yet it is no sacred ark which may not be touched under dire penalty. It may be made to function more satisfactorily for labor and all-of-us than it has yet done.

Though we live in a society admittedly acquisitive, one in which the economic motive is dominant, one of "legalized self-interest" as our pessimists love to term it, we do not claim that this motive is socially sufficient. Nor do we claim that human nature cannot be improved. It is being slowly improved right in our sight. The mind of man is still in the making and so is the quality of his conscience. His character which is the sum total of his final choices is on the upgrade. The things that we strive for individually and

collectively are more and more those which promote the general welfare rather than mere accumulations of wealth. The public and the individual conscience is increasingly tender about the quality of the society which our economic system is producing or frustrating and, being a democratic society, the justice of the distribution of the necessities and good things of life is always open to discussion, and the method of it to amendment.

Yet no one who makes daily contact with the sane but strictly self-regarding attitude of the workmen can consider radical reconstruction as immediately necessary or as practicable on the basis of the present meager fund of altruism. Personal selfishness can today no more be assumed as eliminated from the performance or the repudiation of any social function than physical force from the practices of government. Of that we have had recently abundant proof the world over. The joy in personal achievement, which we would like to see greatly increased — and which will be — is yet too limited to be a universal incentive. The "economic urge" must still be relied upon to motivate the great majority, and on the whole it has not proved a detrimental impulse in human development.

Unionism in the past has rendered invaluable services to labor in raising the status of the worker in the face of indifferent ownership. It, too, will be improved and it will render more service and will always be on the heels of the illiberal employer. It should not be feared by the employer who is keen to know and to respond to what is on his workers' minds. If unionism is on their minds, the sooner he knows it the better. However, as unionism as yet has only reached a mere fraction — less than one in ten — of the 41,000,000 people "gainfully employed" in the United States, it is foolish to insist, as some labor leaders do, that in every industry unionism precisely as we know it must rule or labor is sure to be defrauded of its rights. To that



there are increasing exceptions not in any way due to pressure from or fear of unionism; or unfriendliness to it, but to a sincere desire on the part of capital and management now to follow higher ideals where it has hitherto been hampered by the opportunism of labor politics and by its own failure in the past to realize its duty to the wage-earner.

Like capitalism, unionism can only commend itself in the end to society by its good works. Indeed, every custom in our day must have pragmatic sanction. The last century was occupied with building institutions; the present is busy asking, "What are they for?" and "Do they work?" These are healthy challenges not confined to capital alone but applied to the whole social order. They can no longer be scornfully regarded by those occupying positions of privilege on either side. They must be satisfactorily answered about capital and labor as well as about national governments. The answers are producing many programs of what we might be if we were better than we are, but we are also learning much that is immediately useful as to what we can be even as we are. Shall we refuse to have faith and go into the wilderness like some of our distinguished pessimists with counsels of perfection and professions of despair? Surely not!

**The Spirit of Envy.** — Behind and beneath all the questions that have to do with the better ordering of our social and political life lies the great human problem — *The good man and how to produce him!*

We have already cited many instances of the spirit of exclusiveness amongst capital and labor alike, from which proceed selfish industrial and social policies and conduct.

A major product of exclusiveness carried to an individual extreme is envy. Despite the adoption of all the forms of industrial betterment we have advocated, we must be prepared to defend our civilization against malicious

covetousness; that evil spirit which brings nothing constructive along with its bitter denunciations of our social frailties.

"Envy so parched my blood, that had I seen  
A fellow-man made joyous, thou had'st marked  
A livid paleness overspread my cheek.  
Such fruit reap I of the seed I sowed:  
Sick of a strange disease — My neighbor's health!"

This vivid etching by Dante of the human spirit in its most malignant mood repenting amidst eternal fires less punishing than its own moral distress, has been reproduced in some of our social rebels whose contribution to the body politic under its influence has been unsocial action, or anarchy with ensuing death to all noble aspirations and generous conduct. Good industrial relations imply the broadest tolerance of opinion, spoken and printed, but every well-wisher of mankind will scotch the social snake — envy — when it shows itself and strikes through the poison pen, the disloyal act, or the infringement of the personal liberties of others.

Alike in the plant, in labor councils, in society and politics, envy is the stealthy assassin of democracy and of industrial good-will.

**The Spirit of Service.** — In concluding this study of industrial problems and of capital's duty to the wage-earner in the premises, it is desirable to emphasize the truth that "the way out" is not to be found through the perfecting of the technique of industry. That is socially desirable and is under way through the increasing application of the scientific method by industrial engineers. Yet it cannot of itself bring in a new industrial day as was once hoped and even predicted by able innovators in business system; nor can it be expected greatly to reduce economic friction; it may even under certain conditions help to increase it.

The "hard-boiled" employer need be neither surprised nor

indignant when confronted by "hard-boiled" labor. He should take no comfort from the obvious sins and shortcomings of the latter and should be considerably exercised about his own. The great silent army of labor is not blind to these or to remedies proposed by some capitalists which are ludicrously inadequate to the situation. The spirit of "a one hundred per cent Americanism" is more likely to accentuate than to settle the issues between some aliens and their Western employers. When it is dragged into purely economic controversy it will not help much, for, like other idealisms, patriotism has varied from a noble devotion to a moral lunacy. At its best it does not lend itself to commercialization.

"The American Plan" embodying in some cases a naïve "individual contract" which legally prohibits the wage-earner from changing his mind — or at least his conditions or his employer — for a lengthy period, will not inhibit his herd instincts and his natural desire to profit by the counsel of his fellows.

Nor can industrial capital make employers' associations or reactionary officials the keepers of its conscience. The right course of capital and its managers towards the wage-earner is not in surrendering its freedom to massed capital in employers' associations, or to militant organized labor or to compulsions from any source. It is prescribed in a Chinese proverb which expresses the spirit of this study — "If you want to keep the town clean, let every man sweep before his own door."

It was on the eve of a tremendous national upheaval that a French Farmer-General and haughty aristocrat inquired peevishly, "When everything goes so well, why change?" We have still our "Let-aloners" amongst ownership as well as our "Us-aloners" amongst labor. But these are blind to the social situation and the need for constructive leadership. Things do not right themselves as the lazy and unsocial

would have us believe. To them we oppose the voice of one who was privileged to "look at life steadily and look at it whole" with keen, informed vision for more than eight decades and who saw people and nations because of a stupid fatalism or indifference miss connections with "opportunity" again and again to their great loss.

"There is no saying more false than that which declares that the hour brings the man. The hour many and many a time has failed to bring the man. And never was that truth more seen than in the last seven years." These were almost the last words spoken in the United States by James Bryce.

The truth is that the intangibles in industrial relations and in all social matters — "What men work for" and "what men live by" — are truly sensed only by those who *are touched to fine issues*. Happily they are already a goodly company which is adding to its numbers. The last two decades of American industrial and social expansion have been marked by rising quality of the efforts of the managers of industry and their subordinates. It only needs sound convictions, courage, and faith on the part of the capitalists concerned to make America the industrial garden of the world.

We commend to capital and labor two major programs and motives which sum up the industrial and social experience which prompted this study, namely: "Education" and "Service." They are embodied in words of wisdom from Pestalozzi — "Until we learn to make our educational principles work among the weaker members of society, democracy will remain a dream," and in an admonition of Dean Inge — "Don't get up from the feast of life without paying for your share of it."

The Golden Rule so frequently invoked today has not been mentioned hitherto in this study by a business man for business men, but it is believed it has been exemplified in every proposal on the initiative of capital which has been advocated.

The Golden Rule is both good morals and good business. Obviously it calls for "Golden Rulers." Where are they to come from?

"Still at the prophets' feet the people sit."

The centers and shrines of the most potent influences the world has ever felt are not its seats of commerce and its capitals. From the shores of Galilee, from the banks of Avon and the leafy lanes of Concord there still issue forces greater than those that proceed from our largest modern cities.

## APPENDIX

### I

#### A PLAN OF EMPLOYES' REPRESENTATION

##### PRINCIPLES OF THE PLAN

1. One representative and deliberative body only, the Assembly at each plant functioning in detail through committees and sub-committees, with provision for a General Assembly on any important issue equally affecting a group of plants.

2. Proportional representation of the employes in groups of Plant Departments forming Voting Divisions with no discrimination as to Employes' Representatives' Union or other affiliations.

3. Equal voting power at all times of Employee and Management Representatives both in Committees and Assembly.

4. Procedure by joint-conference and joint-voting on all issues.

5. Submission of any difference on any employment condition without exception, whether individual or group, in the first instance to the foreman and regular plant authorities.

6. Submission at will of any unadjusted difference on any employment condition, in the second instance to the Employee and Management Representatives for the voting division of the plant in which the party or parties are employed; and, failing a settlement — by conciliation only — satisfactory to the employe, submission to the Assembly's Committee in charge of disputes.

7. Unanimity of the Committee on disputes and interpretations essential to a binding decision.

8. Submission to the Assembly of all joint issues not settled *unanimously* in committee and an Assembly decision to be effected by a two-thirds vote of those present.

9. Right of any minority of the Assembly to have one reconsideration of any decision but no further delay except by general consent of the Assembly.

10. No provision for arbitration in the Plan but no specific exclusion of it as a possible means of settlement outside of the Plan.

11. Maintenance of executive authority by Management but no veto of an Assembly decision by Management or Employes without recourse to joint-conference for reconsideration.

12. Clear recognition in the Plan that on ultimate failure to arrive at a collective agreement under it on any one issue, the right of both parties is retained to take such action, either jointly or separately, outside of the Plan as they may think desirable.

13. The Plan itself not to be terminated in case of failure to arrive at a collective agreement on any one issue before the Assembly, but to continue as long as mutually desired.

## APPENDIX

### II

#### EMPLOYEES' REPRESENTATION PLAN FOR THE PLANTS OF SWIFT AND COMPANY

##### A. PURPOSE OF PLAN

Swift and Company desires to provide means whereby its employees may co-operate more closely with the regular plant authorities and may meet with the Management to discuss any matters affecting their mutual relations.

The employees want to know more about the Company and its business; and Swift and Company wants to have a better understanding of the problems of the employees. This Plan aims to secure frank discussion of all difficulties and settlement through joint conference.

##### B. GENERAL DESCRIPTION

1. The Plan provides for an Assembly composed of equal numbers of elected Representatives of the Employees and appointed Representatives of the Management, acting in detail through Committees of the Assembly. The Assembly discusses and makes recommendations on all questions referred to it or raised by it, relating to the joint interests of the Company and its employees and to working conditions in particular, such as wages, hours, safety, sanitation and like matters.

2. When any decision of the Assembly of Joint Representatives is reached by a two-thirds vote it is sent to the Management for action and has binding effect upon both Employer and Employees, unless within fourteen days the Board of Directors of the Company or the Employees' Representatives request the Assembly to reopen the matter for further discussion.



When after such reconsideration in the Assembly it is deemed impossible to arrive at a collective agreement by joint conference on any one issue, the management and the employes are at liberty to take such action outside of the Plan as they may think desirable. But such action does not of itself terminate the general use of the Plan, which continues in full force so long as it is desired by Employer and Employee.

3. The Committees of the Assembly consist of three Standing Committees and such other permanent and temporary committees as it may see fit to appoint. On one or the other of these Committees every Representative has a place.

The Standing Committees are as follows:

COMMITTEE No. 1 — *On Assembly Procedure and Elections.*

COMMITTEE No. 2 — *On Interpretations and for Adjustment of Disputed Plant Rulings.*

For the larger plants this Committee is divided into subcommittees suited to the natural divisions of the plant.

COMMITTEE No. 3 — *On Changes in Working Conditions.*

4. All future Elections, Conduct of Assembly Members and Assembly Rules and Procedure are controlled by COMMITTEE No. 1.

All personal or group differences are dealt with first through the regular plant authorities, failing which they are brought before the Joint Representatives of the proper section of COMMITTEE No. 2.

All proposals in the Assembly to make any Change in a Plant Rule, Standing Practice or Conditions are investigated and reported upon by COMMITTEE No. 3.

5. Any employee who is actually on the pay roll of the Plant, and who does not represent the Management in any position of trust, like foreman, watchman, police and fire departments, and other such help is eligible as a *Voter*. Any employee who has been four months in his department and one year with the Company, who is of legal age, is an American citizen or has first papers, is eligible for Election as a *Representative*. No favor or prejudice may be shown either by the Company or by the employes toward any employee in relation to this Plan by reason of the employee's race, religious creed, political belief,

membership or non-membership in any labor union or other organization.

6. Elections for a place on the Ballot and for the first Employees' Representatives, respectively, at any plant are conducted by a temporary joint committee of three Employees and three Executives of the plant, nominated by the president of the Company, and with the timekeeper and one Employee as Judges of Election in each Voting Division. Notice of elections and of boundaries of Voting Divisions are posted in every department before the election date.

## C. RULES UNDER THE PLAN

### ARTICLE I

#### *Basis of Representation*

The Basis of Representation shall be that the Employees and the Management of the Plant shall have equal representation at all times and joint conference on all matters of mutual interest in about the following proportions; but in no case shall there be less than six Employees' Representatives in any Assembly.

<i>Total Number Employees</i>	<i>One Employee and One Management Representative For Each</i>
Over 3,000	200 Employees
1,500 to 3,000	150 "
750 to 1,500	100 "
400 to 750	75 "
200 to 400	40 "
150 to 200	30 "

### ARTICLE II

#### *Voting Divisions*

In order that the different departments and employe interests of the Plant may be fairly represented, related departments shall be grouped into the number of Voting Divisions indicated in the published schedule for this Plant, and each Division shall be assigned

one employe and one Management Representative in accordance with the provisions of Article I. The Assembly shall change the Voting Divisions whenever necessary to secure complete and fair representation.

### ARTICLE III

#### *Qualifications of Employe Voters and of Employes' Representatives*

1. With the exception of employes in the Superintendent's office, department foremen, subforemen, clerks, timekeepers, watchmen, police and fire departments and any other such help representing the Management, all employes on the pay roll of the plant shall be entitled to participate in the Plan and to vote for Employes' Representatives.

2. The above excepted persons shall not be eligible for nomination as Employes' Representatives, but all employes eligible as Voters shall be eligible for nomination and election as Representatives provided they have worked in a department of their Voting Division for four months and for one year in the Plant immediately prior to the Election, are American citizens or have first papers, and are of legal age.

### ARTICLE IV

#### *Nomination and Election of Employes' Representatives*

1. Nominations and Elections of the persons above defined as Employes' Representatives shall be by secret ballot. The full number of Employes' Representatives shall be elected after the first nominations, and notice of the time appointed for nominations shall be given by bulletins posted publicly on the Plant at least two days before the date set for the nominating ballot.

2. Nominations shall be made by taking a nominating vote in each Voting Division not more than four days before the date fixed for the election.

3. A blank ballot stating that one Employe Representative is to be elected from his Voting Division shall be offered to each employe present at work on the date of the nomination, including night workers, if any.

4. On this ballot the employe shall write, or may have written for him by a fellow voter, the name of the person the employe desires to nominate.

5. Any nominating ballot containing more than one name shall not be counted.

6. Employes shall deposit their ballots in a locked box carried by a teller representing the employes, who shall be accompanied by a timekeeper.

7. When all who desire have voted, the timekeeper and the employe teller shall open the ballot box and count and record the votes in the presence of the Plant Superintendent or person designated by him.

8. In each Voting Division the two persons receiving the highest number of votes shall be declared nominated.

9. If any person nominated is found to be disqualified under the provisions of ARTICLE III, then the properly qualified candidate receiving the highest number of votes shall be declared nominee.

10. The result of the balloting and the names of the nominees shall be posted in the Plant departments concerned as soon as the Votes have been counted and the nomination declared.

### *Elections*

11. Not more than four days after the nominations are posted an Election by secret ballot shall be held in the same manner as prescribed in this Article for nominations, except that at the election only the names of the two persons who have been duly nominated shall appear on the ballots, and these persons alone shall be voted for.

12. The name of the nominee receiving the highest number of votes shall be placed first upon the election ballot; the name of the nominee receiving the next highest number shall be placed next on the election ballot.

13. At the Election the candidate receiving the highest number of Votes in the Voting Division shall be declared elected a member of the Plant Assembly and shall hold office for one year; except that six months after the first election half of the Employes' Representatives shall be retired. These persons shall be determined by lot im-

mediately after the first election but shall be eligible for renomination and re-election.

14. The provision in Section 13 shall apply only at the end of the first six months of the existence of the Assembly and is adopted in order to provide that at least half of the Employees' Representatives in the Assembly will always consist of members who have had previous experience in the work.

15. After the first election the Voting Divisions which retire their Representatives by lot in December shall continue to hold their elections annually in the first week of December, and the remaining half of the Voting Divisions shall hold their annual elections in the first week of June.

## ARTICLE V

### *Appointment of and Changes in Management Representatives*

Upon the election of Employee Representatives the Management will announce the appointment of the Management Representatives in the Assembly, whose number shall be the same as the number of Employees' Representatives. They may be chosen from any section of the Plant or Office help which has supervisory duties, and they may be changed or have vacancies filled at the discretion of the Management.

## ARTICLE VI

### *Vacancies in Employees' Assembly Representatives*

1. If any Employees' Representative leaves the service of the Plant or becomes ineligible for any of the reasons stated in ARTICLE III or is recalled by his Voting Division, as provided in ARTICLE VII, or is absent from five consecutive meetings of the Assembly without such absence being excused by the Assembly, his membership therein shall immediately cease.

2. All vacancies among the Employees' Representatives shall be promptly filled by special nomination and election conducted under the direction of the Assembly in the same manner as regular nominations and elections.

## ARTICLE VII

*Recall of Employee Representatives*

1. If the services of any Employee Representative become unsatisfactory to the employees of the Voting Division from which he was elected, they may recall him by filing with the Secretary of the Assembly a petition signed by not less than one-third of the Employees of the Voting Division and asking for the recall of their Representative. A special election by secret ballot shall then be held in that Voting Division under the direction of the Assembly to decide whether such Representative shall be recalled or continued in office.

2. If at such election a majority of the employees in the Voting Division vote in favor of recalling their Representative, then his term of office shall immediately cease; otherwise he may continue in office.

## ARTICLE VIII

*The Assembly — Its Organization and Powers*

1. There shall be an Assembly meeting at the call of its Chairman and including all of the Representatives elected by the employees for the Voting Divisions indicated in the published schedule for this Plant. These Employees' Representatives shall sit jointly with an equal number of appointed Representatives of the Management, and the two shall constitute the Assembly.

2. Members of the Assembly shall serve until their successors have been elected or appointed, and vacancies shall be filled by special elections or by appointment of new Management Representatives as provided in ARTICLES V and VI.

3. Two persons in the employment of the Company, but not members of the Assembly and without voting power in it, shall be chosen by the Assembly as Chairman and Secretary, respectively, of the Assembly.

4. The Assembly is not vested with executive or administrative authority but may review and discuss all cases and matters referred to it by its Committees or initiated by the Employees or Management

Representatives concerning the mutual interests of employes and management, and the Assembly and its Committees may call for any desired information or evidence.

5. The Assembly may include in such matters all cases, references or appeals relating to wages, hours, safety, buildings, plant equipment, sanitation, restaurants, dressing rooms, and like matters.

6. When any decision of the Assembly, calling for action, obtains a two-thirds vote it shall be filed with the Management and shall have a binding effect upon both Employer and Employes, unless within fourteen days the Board of Directors of the Company or the Employes' Representatives request the Assembly to reopen the matter for further consideration.

7. When after such reconsideration in the Assembly it is deemed impossible to arrive at a collective agreement by joint conference on any one issue, the management and the employes are at liberty to take such action outside of the Plan as they may think desirable. But such action will not of itself terminate the general use of the Plan, which shall continue in full force so long as it is desired by Employer and Employe.

8. A majority of the Employes' Representatives, together with a majority of the Management Representatives, shall constitute a quorum; but at all meetings the voting power of the two shall be equal, and the Chairman of the Assembly shall see that the balance prescribed is maintained.

9. The Assembly shall hold regular meetings at times fixed by it. Special meetings may be called on the authority of the Chairman, who will give three days written notice of the same. A special meeting shall be called by the Chairman when requested in writing by any three members of the Assembly.

10. The Company shall provide at its expense suitable meeting places for the Assembly, its Committees and sub-committees.

11. Employes serving as members of the Assembly shall receive their regular pay from their Employer during such absence from work as this service actually requires.

12. Employes attending any meeting at the request of the Assembly or of any of its Committees or Sub-committees shall receive their

regular pay from their Employer for such time as they are actually and necessarily absent from work on this account.

13. The Assembly may prepare and distribute to the employees reports of its proceedings, and the expense thereof shall be borne by the Employer.

14. The Rules governing this Plan may be amended by a two-thirds vote of the Assembly and the approval of the Management, notice of such proposed amendment having been given at a previous meeting held not less than four weeks nor more than six weeks before the amendment is voted upon.

## ARTICLE IX

### *Committees of the Assembly — Their Organization and Powers*

1. There shall be three Standing Committees of the Assembly:

(a) On Assembly Procedure and Elections.

(b) On Interpretations and for Adjustment of Disputed Plant Rulings.

(c) On Changes in Working Conditions.

The Assembly may appoint such additional Committees, temporary or permanent, as it may deem necessary.

2. Each Assembly Committee shall consist of equal numbers of Employees' and Management Representatives holding office for six months but eligible for reappointment.

3. Each Committee shall elect from its members a Chairman and a Secretary who shall be allowed to vote and speak at all meetings.

4. Each Committee shall develop its own Rules and Procedure provided they are consistent with the general Rules of the Plan herein provided, but no vote shall be taken unless equal numbers of each class of Representatives are present.

5. The Assembly shall have power to recall any Committee member by a two-thirds vote.

6. All action by a Committee shall be based upon the unanimous vote of those present. Upon failure of a Committee to agree on any matter referred to it, the Secretary of the Committee shall prepare a full statement of the facts and shall send it to the Secretary of the Assembly for review and decision.



**ARTICLE X*****Rules for Using the Committees*****A. COMMITTEE ON ASSEMBLY PROCEDURE AND ELECTIONS.**

1. After the first nominations and elections herein otherwise provided for, the Standing Committee of the Assembly on Procedure and Elections shall handle all such matters, viz.: arranging details of nominations, supervising elections, providing tellers and certifying successful candidates to the Assembly and to the Management.

2. All questions of Procedure or Plan of Action not specifically outlined in these Rules shall be referred to this Committee for ruling and advice.

3. All complaints against Assembly members or Committee members, as such, shall be referred to this Committee for consideration, or the Committee may, on its own initiative, investigate and report to the Assembly.

**B. COMMITTEE ON INTERPRETATIONS AND FOR ADJUSTMENT OF DISPUTED PLANT RULINGS.**

1. The course to be followed in the settlement of any employee's complaint or that of any group of employees for which this Committee exists, shall be as follows:

In no case shall the Committee act until the regular plant authorities have been given an opportunity by the aggrieved party or parties to hear and adjust the issue.

2. Where satisfaction is not obtained through the regular plant authorities, the employe or employes concerned may take the matter up with their elected Voting Division Representative who shall consult with the appointed Management Representative for the Division, and these, though without power to render a decision at this stage, shall together seek to effect a settlement by mutual agreement of the parties.

3. Failing a settlement by mutual agreement at the first stage the joint Representatives for the Division concerned shall send the case

for a decision to the Committee on Plant Rulings for their Section of the Plant, and failing a unanimous decision by the Sub-Committee, the case shall go to the Main Committee on Disputed Plant Rulings whose decision, if unanimous, shall be final; otherwise, the matter shall go to the Assembly for its action.

### C. COMMITTEE ON CHANGES IN WORKING CONDITIONS.

1. After the regular plant authorities have been first approached, all proposals to make any change in existing working conditions in the Plant, such as wages, hours, safety, sanitation, or involving buildings, equipment, facilities, or other conditions of interest to employes, shall be raised in the Assembly and shall then be referred to this Committee, and it shall be the duty of this Committee to investigate, discuss, and make recommendations on such matters as involve policies or plans affecting future working arrangements; but the Committee shall in no case pass upon individual cases or make binding decisions.

2. The Committee shall submit all of its recommendations and reports on its investigations to the Assembly for further discussion and for its approval or rejection, and it may have the subject re-committed to it at the discretion of the Assembly.

## ARTICLE XI

### *Procedure for First Nominations and First Elections*

1. In order to provide for first elections of Representatives the President of the Company shall appoint three Representatives of the Management, and the Plant Superintendent shall appoint three Representatives of the Employes to serve on a temporary Joint Committee for the above purpose. This Committee shall exercise all the powers and perform all the duties of the Standing Committee on Procedure and Elections until that Committee is appointed at the first meeting of the Assembly.

2. All Voting Divisions of the Plant shall hold the first election on a date to be selected and shall at that time elect the full number of Representatives provided for.

3. The results shall be reported in writing by the temporary Joint Committee on Rules, Procedure and Elections to the Secretary of the Assembly meeting at which the report is adopted.

4. The purpose of this additional Section on Procedure is to adapt the provisions heretofore given in this Plan to the circumstances which attend the first election only.

## ARTICLE XII

### *Independence of Action*

Neither the Company nor the Employes shall discriminate against any Representative on account of any position taken in the free exercise of his own convictions while discharging his duties as such Representative.

## ARTICLE XIII

### *No Discrimination*

No favor or prejudice may be shown either by the Company or by the employes towards any employe in the matter of voting or in any other matter by reason of the employe's race, religious creed, political belief, membership or non-membership in any labor union or other organization.

## ARTICLE XIV

### *Observance of Labor Laws*

There shall be on the part of the Company and on the part of the Employes strict observance of the Federal and State Laws respecting Labor.

## ARTICLE XV

### *General Assembly*

1. When any matter is under consideration by a Plant Assembly or by Plant Assemblies which jointly concerns a number of the plants of the Company, the President may, at his discretion, call to Chicago or such other center as is deemed best, at the expense of the Company,

two Employees' Representatives selected by their side of the Assembly and two Management Representatives similarly selected, from the Assembly of each Plant involved, and these shall constitute a temporary General Assembly for consideration of the matter or matters and arrival at a decision in Joint Conference.

2. The Chairman of a General Assembly shall be the President of the Company or an officer of the company designated by him. The General Assembly shall develop its own Rules and Procedure, and it shall have all the privileges of a Plant Assembly in calling for information and evidence and in making investigations.

## APPENDIX

### III

#### WHAT IT MEANS TO BE AN EMPLOYEE REPRESENTATIVE

You have been elected to represent the employees of the Company in one of the Voting Divisions of the plant in which you work. To have been so chosen by your fellow workers is an honor of which you may well be proud. It should mean something to you to know that their confidence in your judgment and fairness has led them to select you from all those in your Division to speak for them in the councils of the Assembly. But if their choice has brought you honor it has also placed upon you a new responsibility. You will be a *good* representative only in case you use intelligently and faithfully every means in your power to discharge your obligations to the best of your ability. The employees look to you to protect their interests and expect you to see that their ideas and opinions are given due weight; yet at the same time you should be careful not to embarrass both the Assembly and the Management by exceeding your authority or by creating false expectations in the minds of the employees and raising unnecessary issues. To accomplish this is no easy task. It requires first of all a clear understanding of your duties and privileges under the Plan of Employees' Representation. The most important of these are as follows: —

##### 1. *To Understand the Plan.*

How is the Assembly composed? What are the various committees? Who are the other representatives? How are decisions reached? How should you go about getting a hearing? All these and many other matters must be understood by you before you can even start to serve successfully those whom you represent. Begin by

asking the Chairman of your Assembly for a copy of the Plan. Read it carefully. Then ask him for a copy of the Questions and Answers on the Plan. In this little pamphlet you will find the answers to most of the questions which will arise. If there are still things about the operation of the Plan which are not clear to you, ask the Chairman to explain them.

*2. To Know the Feelings and Opinions of Those Whom You Represent.*

As an employe you yourself have ideas and convictions. But you are more than an employe now; you are a Representative. This means that you must be prepared to say what others think. They have elected you to be their mouthpiece. You can only perform this service for them in case you know what their views are. Remember that those in your Voting Division who differ with you in opinion are as much entitled to have their ideas considered as those who agree with you. You are the representative of them all. Get around among them whenever you can. Don't wait for them to come to you. There are many who will not express themselves unless you break the ice and encourage them to do so. Get started right and make it your business to get acquainted as widely as possible. Make it *easy* for everyone to find you and talk with you. Finally, if your work makes it impossible for you to get enough time to circulate among your fellow employes, go to your department head and ask him to help you find a way. You will find him interested in making it possible for you to get close to your people.

*3. To See That Every Man Who Has a Grievance Gets a Hearing.*

This is his right under the Plan. There is not much danger of your neglecting his case if you feel strongly that he is right. But suppose you are not convinced that he has a case or even feel sure that he is wrong? You are likely to take less interest unless you keep clearly in mind that you are his representative and are in duty bound to do the same by him as you would by anyone else. Don't be afraid, just because his position seems to you to be unreasonable, that you will get in bad by insisting that he get a full hearing. It is always your right to say that you disagree if you want to do so, but it is his right to insist that you present his views no matter how they seem to you.

4. *To See That Every Case Which Is Started By You Is Carried Through to a Speedy Conclusion.*

Nothing is more unsatisfactory than to have a matter drag along without a decision or even be forgotten. The employe whose case you are handling is interested, perhaps even anxious. He wants to know *quickly* what the final result is going to be. It is your duty to keep his case moving as rapidly as possible. If delay is really necessary, as may sometimes happen, be sure to explain to him *why* it is necessary and let him see that you are not neglecting his interests.

These four things, then, are the foundation of success as an Employe Representative. Keep them clearly in mind from the start. It will take some time and effort on your part, but if you thoroughly understand the Plan, know the ideas and opinions of the voters in your Division, see to it energetically that all matters in which they are interested are brought up in the proper way for consideration, and carry them through to a prompt conclusion, you will both help the Plan to succeed and also win the confidence and approval of those who placed you in this position to act for them.

## HOW AN EMPLOYE REPRESENTATIVE SERVES ON A COMMITTEE

One of your chief duties as a representative will be to serve on one of the three standing committees of the Assembly. To do this well you must understand how these committees are composed and the nature of the work which they have to do.

The Assembly decides upon which committee you shall serve. If you prefer to act upon a different committee from the one to which you are assigned, you may ask to be transferred. It then lies with the Assembly to act upon your request favorably or unfavorably as it sees fit. Naturally the Assembly will desire to have on each committee those who are specially interested in its work.

When this matter has been settled you will find yourself on a committee which is composed of a certain number of employe representatives and the same number of representatives appointed by the management. The first point for you to understand about the way

your committee works is that its decisions are only effective in case they are unanimous.

Now, people do not usually think alike on any subject when they first begin to talk about it. If they did, there would never be any disagreements or disputes to be settled. As a rule their opinions differ partly because they do not all have the same knowledge of the facts and partly because we all see things from a different point of view. If an agreement is to be reached, it must be brought about by a painstaking effort to get at all the facts, followed by a frank expression of the way these facts appeal to everybody. You must be prepared, then, to tell what you know, to say what you think, and to learn all you can from the facts and views brought out by others. You will expect your opinions to be considered seriously by them. You must therefore show the same willingness to weigh carefully the ideas which they advance. Only by approaching all questions with an open mind can you form judgments that will be fair.

No matter on what committee you are first placed you may be transferred to either or both of the others before your term of service as a representative is completed. Consequently it is well for you to understand something about the nature of the work and the method of procedure of each of them.

*The first committee is the one on Rules and Procedure.* It has charge of all nominations and elections and may have referred to it any questions relating to the way matters are to be handled by the Assembly, especially when anything arises which is not provided for in the Plan or when the meaning of the Plan is not clear. It is evident that you cannot give acceptable service on this committee unless you are thoroughly posted on what the Plan says. For example, every time an election is held, questions arise regarding who are eligible to vote or to hold office. Usually those questions are not difficult to answer, but sometimes an exceptional case occurs where the opposite is true. It is your business, therefore, to be familiar with those sections of the Plan that cover such points and, in fact, with all sections that explain how the Plan operates.

*The second committee handles all cases where a dispute arises over some ruling on the plant.* It is this committee which is charged with the duty of seeing to it that everyone gets a square deal in the ordinary everyday relations between employes and their foremen. It



handles all individual cases of grievances that have not been satisfactorily settled by mutual agreement between the parties concerned. Whenever it is called into action it is because some employe feels that he is not being fairly treated, and it is the business of the committee to see that real justice is obtained and if the ruling is against the employe, to make him see for himself, if possible, where he was wrong.

If you are on this committee you are going to get into very close touch with the little — and sometimes big — problems of everyday living that naturally arise whenever any great number of people associate in work all day long, week in and week out. Sometimes real injustices occur. Very often they are only imaginary. It is your business to decide what is right in each instance after you have heard all the evidence. If you want to be fair, you must not be influenced by friendship or hostility toward either of the parties involved in the dispute. You must not be governed in your convictions by any consideration other than the desire to give a square deal to everybody.

*The third committee is the one on Changes in Working Conditions.* It does not handle individual cases of any kind but is concerned with the consideration of proposals to change existing working conditions such as wages, hours, safety, sanitation, or involving buildings, equipment, lunchrooms, dressing rooms, or any other matters affecting the interests of employes in their daily work. It is not the business of this committee to initiate new ideas but to pass upon proposals that have been referred to it by the Assembly. In other words, the only business which comes before the Committee on Changes in Working Conditions is that which the full Assembly hands over to it for special investigation and study. When such an investigation has been completed the committee reports its findings back to the Assembly for such action as may seem best. Its decisions are therefore never binding. They have, however, a powerful influence in helping the Assembly to reach a final conclusion.

In view of what has been said about the work of the three committees, you will see that the qualities most needed for successful service on them are, for the first one, ability to understand the details of the Plan and a good memory; for the second, an open mind and a keen sense of fairness; for the third, intelligent reasoning powers and good judgment. All of them require strict honesty and consideration for the rights of others, for without these it is useless to attempt to reach agreements that will be fair to all concerned.

## HOW AN EMPLOYEE REPRESENTATIVE HANDLES A GRIEVANCE

Let us assume that an employee in your Voting Division by the name of Tom Brown, has been accused, perhaps on hearsay or suspicion merely, of some serious fault and discharged by his foreman. Tom claims that he is innocent, that he is the victim of a frame-up on the part of his fellow-workers, and that his foreman acted unfairly and without sufficient consideration of the evidence in discharging him. Of course he is sore clear through and so are his friends.

The case comes to your attention because you are the employee representative from Tom's Voting Division on the plant. It is your business to take it up and see that there is a square deal all around. How shall you proceed? Whom must you see? What are the steps to be followed and in what order? When must you act? These are the questions which you are going to have to answer frequently while you are a representative. If you are slow or uncertain or make a wrong move altogether, the case will not receive the proper consideration and a great injustice may be done. Then a lot of people will sneer and call attention to the failure of the Employees' Representation Plan to work. But the *real* fault will not be with the Plan but with *you*. So let us study this case from several angles and thus earn something of how you should discharge your duty in such instances.

To begin with, there are two ways in which you may get your first knowledge of the case. Tom Brown, either of his own accord or upon advice of others, may come to you, tell you what has happened, and ask you to act for him. But this does not always happen. He may not have much faith in the Plan or in what you can do for him. He may be backward about approaching you. Maybe he does not know where to find you. He may have left the plant. Do any of these facts relieve you from the necessity of taking up his case? Not at all. If the news of his trouble has reached you and you have reason to believe that Tom is not satisfied that he is being treated fairly, it is your business to *offer* your services to him. The purpose of the Employees' Representation Plan is to bring about a satisfactory adjustment whenever and wherever a feeling exists that injustice has been

done. Therefore, whenever you find out that such a feeling does exist, it is your duty to start an investigation whether you are asked to do so or not.

The next step for you to take is to make certain that the foreman who is accused of acting unjustly has been given a fair chance to reconsider or modify his action. The machinery of the Employees' Representation Plan should not be brought into the case until the regular plant authorities have had a chance to straighten it out. Go to the management representative with whom you are paired, get Tom Brown to come along, and then all three of you go to the foreman and talk the matter over thoroughly. If your management representative is not available and not likely to be so within a reasonable time, go ahead without him. You and the management representative have no power to decide the case at this point. All you can do is to go over the situation and see if there is not some way in which you can get Tom and his foreman to come to some sort of an agreement satisfactory to both. If you can do so, the case is ended. But if either of them feel dissatisfied, the case must go to the committee on the Adjustment of Plant Rulings.

In the larger plants this committee is likely to be divided into sub-divisions, each taking charge of cases that arise in certain sections of the plant. If your plant is one of these, you and the management representative with whom you are paired together report the case to the chairman of the sub-committee and ask for a hearing. You should insist upon the earliest possible date for this purpose. You may yourself happen to be a member of this sub-committee, but if you are not you may be called upon by the Committee, at its discretion, to be present along with the management representative, Tom Brown, and the foreman against whom the complaint is made, or you may be interviewed separately. At any hearing at which you are present, it is your duty to see that Tom gets a chance to tell his story and to produce any evidence in support of it which he may have. Unless you happen to be a member of this sub-committee you will, of course, have no vote. When the evidence is all in on both sides the sub-committee will discuss the case and try to reach a unanimous agreement. If they all vote that Tom was unjustly discharged, that settles the case and he goes back on the job. If all agree that the foreman was right, that also ends the case and Tom is through. If,

however, they cannot unanimously agree one way or the other, the case is not ended but must go to the full Committee No. 2.

Here a second hearing is held, just like the first one. If a unanimous agreement cannot be reached, the case is now taken before the entire Assembly where Tom, as the complaining party, must secure a two-thirds vote in his favor or else his case is definitely lost. There can be no further appeal.

The point where you are most likely to fail in your duty is when you, your management representative, Tom, and the foreman first get together on the case. If the evidence seems strong against Tom, the tendency is to let the case drop. This is all wrong and contrary to the spirit and intent of the Plan unless Tom is really satisfied that he is being treated fairly. That, and that alone, must be your test. Unless you are absolutely certain that he feels that he has received full justice you must insist upon a committee hearing for him. If you do not, his friends will certainly say that you weakly allowed yourself to be over-awed by your bosses and that the Representation Plan is a failure as a means for securing fair treatment for employees.

## HOW THE EMPLOYEE REPRESENTATIVE TAKES PART IN MEETINGS OF THE ASSEMBLY

You are a member of the Assembly, an organization in whose hands lies in a large measure the peace, comfort and prosperity of everybody connected with the plant in which you work. You were not put there to be a spectator. The business of the Assembly will affect the interests of those whom you represent. They expect that you will take an active part in all that is done, not only by voting according to your convictions but also by presenting to the Assembly, as clearly and forcibly as possible, their views on the subjects under consideration. To discharge your duties capably, therefore, you must vote intelligently, express yourself freely and search diligently for information. Let us see how you should go about doing each of these things.

*I. Your vote is the source of your power as an employee representative.*  
After all the talking is over it is the vote that really counts. Many

a motion is won or lost by a single vote. In the committees, where action must be unanimous, you can single handed prevent anything that looks to you like injustice, simply by casting your one vote against the proposition which is under consideration. Nothing can be accomplished without your consent. You have no excuse, then, to offer if you carelessly fail to protect the interests of your people.

In the Assembly, however, decisions are not made by unanimous vote but by a two-thirds majority. Nevertheless, your vote is a powerful factor in the result, for it may easily turn the scales one way or the other. In making up your mind how to vote, you should remember three things:

*First*, you cannot vote *intelligently* unless you know all the facts.

*Second*, you cannot vote *fairly* unless you have considered those facts with an earnest, unprejudiced effort to see what is right.

*Third*, you cannot vote *honestly* if you are influenced by jealousy, friendship, hatred, fear or anything else than the determination to give and to get a square deal.

If there is additional information which you need, refuse to vote until you get it. If there is an argument which you feel has been overlooked by others, refuse to vote until you have been given a chance to present it. If you have the slightest feeling that your vote, if known, may get you into trouble with anybody, insist upon a secret ballot. On this last point remember that the Company guarantees that your attitude on any question shall never be held against you by the Management. But bear in mind that so far as your fellow employes are concerned they will respect you more, as a rule, if you have the courage to vote openly according to your best judgment.

II. *Expression of your views in Assembly meetings is the means by which you can best influence the votes of others.* When you are interested in getting something accomplished you must have support from others in order to put it across. Your ability to win such support depends upon two things, namely, the soundness of your ideas, and the extent to which you make them clear to the other representatives. You must be careful, therefore, that your cause

is right and just, so far as you can see, before you try to win others to its support.

But many a representative has had good ideas which ought to have gained support but did not because they were presented poorly or not at all. A representative is first of all a person who expresses opinions, both his own and those of his people. You have been elected to do just that.

There is no getting away from it. Failure and disappointment await you if you allow timidity or anything else to keep you silent in the Assembly.

It is not enough, however, that you should merely talk. Many people do a lot of talking but exert little real influence when it comes to getting anything done. The important thing is *what you say*, and the next most important thing is *the way you say it*. It is not necessary for you to be an orator or able to make a fine speech. Some practice is necessary however before you can do your best unless you have already had experience in speaking before a group. It will help you if you keep in mind a few simple rules. These are:

1. Always speak loudly enough for everyone to hear every word you say.
2. Don't speak too fast.
3. Don't let yourself get excited or angry. It is the cool, self-controlled speaker whose words have most effect.
4. Don't stop with a mere statement of where you stand on any question. Give your reasons. They are what will influence others.
5. Be brief. Audiences get tired of a long-winded speaker and lose interest in what he has to say.

### III. *You must search for information if you wish to be reliably informed.*

It is the man with exact knowledge that can put punch into his arguments. Rumors are seldom correct, but they may cause a lot of misunderstanding unless someone runs them down. That is part of your job. You must not expect that accurate information upon which you can safely base your judgments will somehow fall into your lap out of the sky. You will have to go after it. Let your fellow employees and the other members of the Assembly see that you are alert to find out all the facts of the business which bear

in any way upon the interests of the employes. Let them discover that you are always well posted, and you will soon find yourself looked up to with a respect that will give your words real weight.

### HOW THE EMPLOYEE REPRESENTATIVE CAN KNOW THE VIEWS OF THOSE WHOM HE REPRESENTS

To "represent" means to "re-present," that is, to "present over again." A representative is therefore one who "presents over again" to the committees or to the full Assembly, ideas which have already been presented to him by others. It is the very essence of his job that he shall be the mouthpiece of his people.

The discussion of this part of your duty has been left until last in order to leave the strongest possible impression of its importance upon your mind. *More representatives fail because they have not kept close enough to their people than from all other causes put together.* Such cases grow out of inability on the part of representatives to grasp the real idea of what representation means. Too often they think that they have done their full duty if they handle such cases as *come* to them and express their own *personal* views when a discussion is under way in the Assembly. Complete success requires, on the contrary, that you should interest yourself in your official capacity in every matter that arises within your voting division which involves discontent or any feeling of injustice, and that you should express to the Assembly the views of your people no matter how much you may personally disagree with them. This means that you must keep in close touch with all that is going on all of the time. How shall you do it? The following suggestions may be of some help to you:

1. Have some regular means of contact with all of your people and be sure that they know what it is.

It is probable that many employes who are in your voting division but outside of your department do not know you by sight and do not understand where you may be found. This is particularly likely to be true in the case of new employes. Notices on the bulletin boards telling who is the representa-

tive in each division and where he may be found are of great help, but they are not enough. Make it your business to get acquainted with any new employes who have been hired. Tell them that you want to serve them, that you need to know their wishes and views, and that you will always be glad to talk with them on any subject. Try to learn the names and faces of as many of the older employes as possible. Keep circulating among them at the noon hour and try not to get into the habit of spending all your spare time in the company of the same little group every day. Keep your eyes and ears open and investigate anything you hear about that indicates dissatisfaction on the part of anybody.

2. Tell your people all about what the Assembly and its committees are doing. They have a right to know and you are the person who should naturally give them the information. Don't wait for them to ask you. If the minutes of the Assembly meetings are posted on bulletin boards in the plant, encourage everyone you see to read them and then try to find out what they think about whatever is being done. As soon as you come out of each meeting of the Assembly talk to everybody you can about it. When your fellow employes hear about things that are being discussed and cases that are being decided their interest will be aroused and they will suggest matters which they will want you to take up for them.
3. Once in a while call a meeting of all the employes in your voting division after working hours and talk to them all at once. To be sure there will be a great many of them who will not go to the trouble to attend. Some, however, will come, and after one such meeting has been held they will tell others about it. Explain to them what kind of matters are coming up for consideration from other divisions at the plant and ask for suggestions from those who are present. You don't have to make much of a speech. Just make them feel that you want to be of as much use as possible to them. Call on a few of those that you know best and see if they have any knowledge of cases that should be investigated or any suggestions to make about working conditions. If you get any response from these, others are pretty sure to come afterwards with additional ideas. Above



all things, be sure to act promptly on every matter that is brought up.

4. It is a good idea to have one or two employes in each department of your voting division whose special business it shall be to keep you posted and bring new cases to your notice. Select for this purpose employes who are well known and likely to take a real interest. Get them all together and map out a plan by which your entire division will be canvassed regularly for information. This is probably the most effective of all methods which you can use. It is just a question of picking out the right men and then keeping after them frequently so that they will not lose interest. Keep in mind also that the Assembly wants instructive suggestions and does not desire to devote its time to mere gossip and topics with no practical bearing on relations arising out of employment.

Other ideas will occur to you from time to time. What works best in one place may fail in another. Don't get discouraged because things move slowly for a while. Keep persistently at it with the idea uppermost in your mind that you do not have things where you want them until you are certain that no case of ill feeling or complaint can exist very long without coming to your attention. In the end, the measure of your success will be shown by the cases satisfactorily settled and the constructive improvements in working conditions in whose adoption you, as a representative, have played a part.

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